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PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
AEP TEXAS INC. FOR
AUTHORITY TO CHANGE RATES

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PUBLIC UTILITY COMMISSION
OF TEXAS

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PUC DOCKET NO. _____

APPLICATION OF AEP TEXAS INC.	§	BEFORE THE
FOR AUTHORITY TO CHANGE	§	PUBLIC UTILITY COMMISSION
RATES	§	OF TEXAS

PETITION AND STATEMENT OF INTENT TO CHANGE RATES

AEP Texas Inc. (AEP Texas or the Company) files this Petition and Statement of Intent to Change Rates (Petition) in accordance with Subchapter C of Chapter 36 of the Public Utility Regulatory Act (PURA),¹ 16 Tex. Admin. Code (TAC) § 22.243(b), and 16 TAC § 25.247(c)(2)(B). AEP Texas is filing with this Petition a rate filing package (RFP) that complies in all material respects with the Commission's *Transmission & Distribution (TDU) Investor-Owned Utilities Rate Filing Package for Cost-of-Service Determination*.²

I. INTRODUCTION

AEP Texas is connected to and serves more than one million electric consumers in the restructured Texas marketplace. As an energy delivery (wires) company, AEP Texas delivers electricity safely and reliably to homes, businesses, and industry across its nearly 100,000 square mile service territory in south and west Texas. AEP Texas also maintains and repairs its lines, reads electric meters, and handles connections and disconnections as directed by the Retail Electric Providers (REPs) selling electricity to end-use customers. Providing safe and reliable electricity is AEP Texas' mission.

The State of Texas is fortunate to have a dynamic and diverse economy and much of the economic growth has been taking place throughout the AEP Texas service territory. New and existing businesses find an attractive environment for growth and investment. Notably, the Rio

¹ PURA is codified at Tex. Util. Code Ann. §§ 11.001–66.016.

² Approved November 19, 2015.

Grande Valley and Laredo have consistently been two of the fastest growing areas of the state. When oil field related activity in the well-known “Eagle Ford” shale production area began around the year 2011, AEP Texas saw tremendous growth in areas that had been stagnant for years. Similarly, the oil and gas related activity in west Texas around the Permian Basin and Cline areas also required a significantly higher level of investment to serve the increasing demand for electric service. The port areas of the state served by AEP Texas also have experienced continued growth and expansion, particularly relating to liquefied natural gas (LNG) facilities.

This expanding economy and population growth in its service territory, as well as the need to upgrade and maintain the existing transmission and distribution (T&D) infrastructure, has required AEP Texas to invest nearly six billion dollars in its T&D system since the close of the previous test year, June 30, 2006. The additional T&D investment, for which AEP Texas requests a prudence determination, supports not only the new and expanding oil and gas businesses, but also the expanding communities that create increased need for housing, schools, and commercial enterprises. This growth is a primary driver of new rates for AEP Texas. Other drivers, including the Company’s request for AEP Texas-wide consolidated rates, are discussed below and in the direct testimony of AEP Texas President and Chief Operating Officer Judith Talavera.

At the time the Company’s existing rates were set in Docket Nos. 33309 and 33310, AEP Texas consisted of two separate corporate entities, AEP Texas Central Company (TCC) and AEP Texas North Company (TNC). However, these companies were managed and operated as a single business under the brand name “AEP Texas.” In Docket No. 46050, TCC and TNC sought and received the approval of the Commission to merge and change its name to AEP Texas Inc. (AEP

Texas).³ After the merger, as ordered by the Commission, AEP Texas established the Central and North “divisions” within the merged utility and continued to maintain separate rates, riders, and tariff manuals for the Central and North Divisions. The then-existing TCC and TNC base rates did not change and remained in force for customers taking service within the Company’s two divisions. In this case, as contemplated by the Commission in its order approving the merger, AEP Texas proposes to consolidate rates for AEP Texas’ Central and North Divisions.⁴

This rate case also will allow AEP Texas to realign its rates to be consistent with the changes that have taken place in the Company’s customer classes over the last 12 years. For instance, some customer classes have grown significantly while others have decreased in size, which has resulted in a mismatch of revenues collected from customer classes relative to the costs to serve those customers. Resetting rates will realign rates with the current existing customer base.

Additionally, as discussed by AEP Texas witness Jennifer Jackson, the Company proposes to: 1) terminate the Advanced Metering System Cost Recovery Factor Rider (AMSCRF); 2) reset the baseline for the Distribution Cost Recovery Factor Rider (DCRF); 3) determine the revenue requirement for the Transmission Cost Recovery Factor Rider (TCRF) and move all transmission cost recovery to the TCRF; 4) move energy efficiency costs from base rates to Rider Energy Efficiency Cost Recovery Factor (EECRF); and 5) modify or discontinue tariffs that are now outdated in light of current circumstances.

³ See *Application of AEP Texas Central Company, AEP Texas North Company, and AEP Utilities, Inc. for Approval of Merger*, Docket No. 46050, Final Order at Ordering Paragraph No. 1 (Dec. 12, 2016).

⁴ *Id.* at Ordering Paragraph No. 2 (“Applicants shall maintain separate TCC and TNC divisions, which will continue to charge separate rates and riders, and maintain separate tariffs, unless and until such time as the Commission may consider and approve consolidated rates and tariffs.”).

Finally, the timing of this filing fits with the Commission's Rate Review Schedule rule (16 TAC § 25.247), which requires AEP Texas to file a comprehensive rate case on or before May 1, 2019, subject to extensions that AEP Texas has not sought.

Ultimately, the resolution of the issues raised in this case will facilitate AEP Texas' continued deployment of innovative technology, while simultaneously maintaining, operating, and expanding a flexible grid that provides for the safe and reliable delivery of electricity.

II. AUTHORIZED REPRESENTATIVES

AEP Texas' authorized representative for service of all pleadings and other documents is:

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AEP Texas requests that all information and documents in this matter be served on each of the persons above.

III. APPLICANT AND JURISDICTION

AEP Texas is an electric utility, a public utility, and a utility as those terms are defined in PURA §§ 11.004(1) and 31.002(6). AEP Texas is a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), which is a holding company within the meaning of the Public Utility Holding Company Act of 2005. AEP Texas' business address is 539 North Carancahua Street, Corpus Christi, Texas 78401.

The Commission has jurisdiction over this application pursuant to PURA §§ 14.001, 32.001, and 36.001. Specifically, the Commission has jurisdiction to change AEP Texas' distribution rates within unincorporated areas of the Company's service area, within all municipalities served by the Company that have surrendered their original jurisdiction to the Commission, and upon appeal by the Company of actions taken by municipalities exercising original jurisdiction. Each municipality in AEP Texas' service area that has not ceded jurisdiction to the Commission has jurisdiction over this Petition to the extent it seeks to change rates for distribution service within those municipalities. AEP Texas anticipates that it will appeal the actions of its original jurisdiction municipalities, and that it will seek consolidation of those appeals with this docket. A list of the municipalities that have ceded original jurisdiction, and of those which have retained original jurisdiction, is provided as Appendix A. AEP Texas will file this Petition with the Commission, as well as with all of its original jurisdiction municipalities.

IV. TEST YEAR

This Petition is based on a test year ending December 31, 2018, adjusted for known and measurable changes.

V. INCREASE IN REVENUE REQUIREMENT

Related to its distribution cost of service, the Company requests a rate increase of approximately \$38.3 million over its adjusted test year revenues, an increase of 4.2%. This amount is net of the Company's proposed Income Tax Refund (ITR) Rider, discussed in detail in Section VII(B) below. Related to its transmission cost of service, the Company requests a rate decrease of \$3.16 million below its adjusted test year revenues, a decrease of 0.7%.

Revenues by rate class and number of customers are provided in the following table:

<u>AEP TEXAS INC. SUMMARY OF REVENUES BY RATE CLASS</u>								
Rate Class Description	AEP TX Number of Customers	AEP TX Present Revenues	AEP TX Proposed Revenues	Revenue Change w/out Rider ITR	% Change w/out Rider ITR	Rider ITR	Revenue Change w/ Rider ITR	% Change w/ Rider ITR
Residential Service	876,553	\$ 478,051,710	\$ 506,224,177	\$ 28,172,467	5.9%	\$ (11,382,278)	\$ 494,841,899	3.5%
Secondary Service Less Than or Equal to 10 kW	89,158	\$ 33,924,128	\$ 27,614,375	\$ (6,309,753)	-18.6%	\$ (700,749)	\$ 26,913,627	-20.7%
Secondary Service Greater Than 10 kW	73,070	\$ 273,524,671	\$ 295,954,662	\$ 22,429,991	8.2%	\$ (6,303,560)	\$ 289,651,102	5.9%
Primary Voltage Service	1,045	\$ 70,027,981	\$ 76,832,472	\$ 6,804,492	9.7%	\$ (1,364,554)	\$ 75,467,918	7.8%
Transmission Voltage Service	85	\$ 30,420,295	\$ 35,820,956	\$ 5,400,661	17.8%	\$ (174,806)	\$ 35,646,150	17.2%
Lighting Service	2,301	\$ 21,769,668	\$ 24,347,960	\$ 2,578,292	11.8%	\$ (815,653)	\$ 23,532,307	8.1%
Retail Electric Delivery Revenues	1,042,212	\$ 907,718,453	\$ 966,794,603	\$ 59,076,150	6.5%	\$ (20,741,600)	\$ 946,053,003	4.2%
Wholesale Transmission Revenue		\$ 423,372,870	\$ 420,213,369	\$ (3,159,501)	-0.7%			
<i>Note: AEP Texas is proposing a one-time transmission credit of \$29 million associated with the TCJA.</i>								
Total Cost of Service		\$1,331,091,323	\$1,387,007,972	\$55,916,649	4.2%			
Retail Electric Delivery Revenue Change				\$ 59,076,150				
ITR Rider Credit				\$(20,741,600)				
Total Schedule I-A Reconciliation				\$38,334,550				

The proposed increase constitutes a "major change" as that term is defined in PURA § 36.101.

VI. AFFECTED PERSONS

AEP Texas' Petition affects all REPs serving end-use retail electric customers in the Company's certificated service territory. Each of these end-use retail electric customers may be affected by this Petition, depending upon the actions taken by the REPs that provide electricity to such customers.

This Petition also affects all customers taking service under the Company's wholesale transmission service tariff.

VII. FILING OVERVIEW

	WITNESS	DESCRIPTION OF TESTIMONY	RFP VOLUME/PAGE
1.	Judith E. Talavera	Ms. Talavera presents the AEP Texas rate case application and provides an overview of the filing. Specifically, she provides an overview of AEP Texas and the cost elements that encompass the base rate increase request.	Volume 1 Page 74
2.	Leigh Anne Strahler	Ms. Strahler introduces proposals for regulatory programs supported by various witnesses. Ms. Strahler also discusses AEP Texas affiliate expenses related to legal, regulatory, and environmental services and supports AEP Texas' rate case expenses.	Volume 1 Page 97
3.	Randall Hamlett	Mr. Hamlett presents AEP Texas' requested total company cost of service and associated RFP schedules. He describes various pro forma accounting adjustments.	Volume 1 Page 155
4.	Greg Wilson	Mr. Wilson discusses AEP Texas' approach to the use of a Catastrophe Reserve.	Volume 1 Page 260

	WITNESS	DESCRIPTION OF TESTIMONY	RFP VOLUME/PAGE
5.	Jay Joyce	Mr. Joyce sponsors the results of the lead-lag study for measuring the cash working capital allowance required for AEP Texas' operations.	Volume 1 Page 283
6.	Robert Hevert	Mr. Hevert presents his recommended return on equity.	Volume 1 Page 453
7.	Renee Hawkins	Ms. Hawkins supports the calculations of AEP Texas' cost of debt as well as AEP Texas' overall capital structure. She discusses AEP Texas' financial condition.	Volume 1 Page 582
8.	Steve Fetter	Mr. Fetter discusses AEP Texas' requested capital structure.	Volume 1 Page 596
9.	Thomas Coad	Mr. Coad discusses AEP Texas' performance with respect to various reliability and quality of service measures. He also supports the reasonableness and necessity of AEP Texas' overall and affiliate O&M costs for distribution services, as well as distribution capital additions.	Volume 1 Page 616
10.	Dan Boezio	Mr. Boezio discusses AEP's transmission organization and operations. He supports AEP Texas' overall and affiliate O&M costs for transmission services.	Volume 1 Page 691
11.	Wayman Smith	Mr. Smith supports AEP Texas' transmission capital additions.	Volume 2 Page 734
12.	Joel Murphy	Mr. Murphy discusses the AEP Texas and AEPSC customer services organizations and discusses AEP Texas' quality of customer service. He also supports the reasonableness and necessity of AEP Texas' overall and affiliate O&M costs for customer services.	Volume 2 Page 770

	WITNESS	DESCRIPTION OF TESTIMONY	RFP VOLUME/PAGE
13.	Gilbert Hughes	Mr. Hughes discusses AEP Texas' External Affairs and Corporate Communications organizations and the services they provide. He also discusses AEPSC's External Affairs and Corporate Communications organizations and demonstrates the reasonableness and necessity of the affiliate charges billed to AEP. He supports the advertising costs, contributions and membership dues requested in this case.	Volume 2 Page 812
14.	Jeff Stracener	Mr. Stracener discusses AEP Texas' AMS reconciliation and implementation of the approved AMS Deployment Plan.	Volume 2 Page 850
15.	Heather Whitney	Ms. Whitney discusses the accounting for the actual costs, investment, and revenues associated with the deployment of AMS during the reconciliation period.	Volume 2 Page 998
16.	Jason Cash	Mr. Cash discusses the depreciation study overview, the study methods and procedures, and the study results.	Volume 2 Page 1032
17.	Michael Kelly	Mr. Kelly discusses AEP Texas' Federal Income Taxes included in its cost of service and describes the RFP's tax schedules. He also addresses the impact of the 2017 Tax Cuts and Jobs Act.	Volume 2 Page 1073

	WITNESS	DESCRIPTION OF TESTIMONY	RFP VOLUME/PAGE
18.	Brian Frantz	Mr. Frantz discusses AEPSC and the corporate support services it provides. He describes AEPSC's internal controls, billing and cost allocation methods, and how they assure that AEP Texas is charged reasonable and necessary costs for affiliate services. He also provides supporting testimony regarding the reasonableness and necessity of the Chief Financial Officer, Chief Executive Officer, Internal Support, and AEPSC Incentives classes of AEPSC affiliate costs. He explains the particular allocation factors used to bill the various affiliate classes of cost to AEPSC, to support the conclusion that AEP Texas is charged affiliate costs by AEPSC that are no higher than those billed to other AEP affiliates.	Volume 2 Page 1096
19.	Patrick Baryenbruch	Mr. Baryenbruch presents an assessment of the reasonableness and necessity of the services provided to AEP Texas by AEPSC, and the associated costs. This assessment includes review of the necessity and benefit of AEPSC services, the appropriateness of AEPSC allocation factors, and the reasonableness of AEPSC and AEP Texas costs.	Volume 2 Page 1292
20.	Tracy Elich	Ms. Elich discusses the services of the AEPSC Human Resources Department. She supports the reasonableness and necessity of the Human Resource Department affiliate charges to AEP Texas.	Volume 2 Page 1375
21.	Curt Cooper	Mr. Cooper describes and supports the reasonableness of the benefit plans for AEP Texas and AEPSC employees.	Volume 2 Page 1399

	WITNESS	DESCRIPTION OF TESTIMONY	RFP VOLUME/PAGE
22.	Andrew Carlin	Mr. Carlin describes the reasonableness and market competitiveness of the AEP compensation plan and the salary and incentive compensation levels for AEP Texas and AEPSC, and supports a pro forma adjustment made by Mr. Hamlett for base pay increases effective in 2019.	Volume 3 Page 1447
23.	Jon Burns	Mr. Burns describes the services provided by the AEP Supply Chain, Fleet and Procurement organizations. He supports the reasonableness and necessity of AEP Texas' costs for these services.	Volume 3 Page 1507
24.	Randy Ware	Mr. Ware provides supporting testimony for AEP Texas affiliate expenses related to AEPSC Real Estate and Workplace Services. He supports the reasonableness and necessity of AEP Texas' affiliate costs for these services.	Volume 3 Page 1532
25.	Greg Filipkowski	Mr. Filipkowski discusses the AEP Information Technology (IT) organization and the services provided. He supports the reasonableness and necessity of AEP Texas' IT affiliate costs. He also supports IT capital additions and the IT related portions of AEP Texas' AMS reconciliation.	Volume 3 Page 1546
26.	David Standley	Mr. Standley discusses the AEP Telecom organization and the services provided. He supports the reasonableness of AEP Texas' Telecom affiliate costs. He also supports Telecom capital additions.	Volume 3 Page 1617
27.	Stan Partlow	Mr. Partlow discusses the AEP Security organization and the services provided. He supports the reasonableness of AEP Texas' Security affiliate costs.	Volume 3 Page 1641
28.	Nora Williams	Ms. Williams sponsors various schedules related to load and demand.	Volume 3 Page 1660

	WITNESS	DESCRIPTION OF TESTIMONY	RFP VOLUME/PAGE
29.	Chad Burnett	Mr. Burnett presents the weather normalization processes used in forecasting, and supports several associated schedules.	Volume 3 Page 1665
30.	John Aaron	Mr. Aaron presents and supports AEP Texas' class cost-of-service study. He also supports the pro forma adjustments made to the test year customer, revenue, and sales volume data.	Volume 3 Page 1679
31.	Jennifer Jackson	Ms. Jackson presents AEP Texas' retail class rate design, including the Company's proposal to combine Central and North Division rates.	Volume 3 Page 1696
32.	David Hawk	Mr. Hawk discusses the proposal to consolidate the current separate tariff manuals for AEP Texas' Central and North Divisions into a single tariff manual and also addresses proposed changes to company-specific discretionary service charges.	Volume 3 Page 2016

A. Request for Consolidated Rates

AEP Texas proposes to consolidate its Central and North Divisions' rates and tariffs. As discussed above, AEP Texas and its two divisions have been operated as a single business for the benefit of customers for more than a decade. The reality is that the AEP Texas system is operated as a single system serving all its customers, rendering the allocation of cost on a divisional basis an outdated practice. Consequently, consolidating rates is a natural progression from the foundation laid by the Commission's approval of the AEP Texas merger, and will support more efficient administration and regulation of AEP Texas rates.

To facilitate the transition to consolidated rates for the Central and North Divisions, the Commission required as part of its order approving the AEP Texas merger that AEP Texas file a

proposal for setting AEP Texas-wide rates, along with an underlying study and supporting data, four months prior to filing a case proposing consolidated rates with the Commission. The Company filed the required study and supporting data on December 21, 2018.

With this filing, the Company submits a cost of service study that combines Central and North Division costs. The Company also presents a combined set of billing determinants for the purpose of establishing a single set of AEP Texas base rates, based on the adjusted test year data and other applicable facts and circumstances. With limited exceptions, discussed in the testimony of AEP Texas witnesses David Hawk and Jennifer Jackson, the Company's consolidated rates proposal includes consolidation of all transmission and distribution service rates for all rate classes.

If the Commission approves consolidated rates in this case, future filings such as interim Transmission Cost of Service (TCOS), TCRF, EECRF, and DCRF updates will be filed on an AEP Texas-wide basis. However, the Company has provided divisional cost information in its filing in the event that the Commission decides that a continuation of divisional rates is appropriate.

B. Tax Cuts & Jobs Act of 2017

In accordance with the Commission's Amended Order in Docket No. 47945,⁵ AEP Texas is proposing the Income Tax Refund (ITR) Rider that is related to the impacts of the Tax Cuts and Jobs Act of 2017 (TCJA). Through the ITR Rider, AEP Texas will refund: (1) the difference between the revenues collected under existing rates and the revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates; (2) amounts associated with the change in the amortization of protected Excess Accumulated Deferred Federal Income Taxes (EADFIT) as a result of the TCJA; and (3) unprotected EADFIT associated

⁵ *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Amended Order (Feb. 15, 2018).

with the TCJA tax rate change. Additionally, AEP Texas is proposing a tax credit rider to refund amounts owed to wholesale transmission customers as a result of the TCJA. The total refund has been determined and is supported by AEP Texas witness Randall Hamlett.

C. Catastrophe Reserve

As approved in Docket No. 33309, the AEP Texas Central Division has a Commission-approved catastrophe reserve that allows it to collect \$1.3 million for per year, with a target reserve of \$13 million. In this case, AEP Texas requests that the Commission approve an expansion of the current catastrophe reserve to include the AEP Texas North Division in addition to the Central Division territory, for a total reserve of \$13.3 million, and allow an annual accrual of \$4,270,000.

D. Advanced Metering System (AMS)

In Docket No. 36928, the Commission approved the Company's AMS Deployment Plan. In February 2014, the Company successfully completed the AMS deployment, less than two months after the original estimate of December 31, 2013. In April 2012, the Company filed its initial reconciliation of AMS deployments costs in Docket No. 40261, which addressed the costs expended and investments made in the Company's AMS deployment through December 31, 2011. In this case, the Company is seeking to reconcile its AMS deployment costs for the period from January 1, 2012 to December 31, 2018 (Reconciliation Period). Accounting for the actual costs, investment, and revenues associated with the Company's AMS deployment through the Reconciliation Period has resulted in AMSCRF surcharge under-recoveries of \$30,157,739 (net of \$6,063,403 of cumulative interest expense) and \$12,923,589 (including \$283,307 of cumulative interest benefit) as of December 31, 2018 for the AEP Texas Central and North Divisions, respectively.

In this case, AEP Texas is requesting to: (1) reconcile AMS costs with AMSCRF surcharge revenues under 16 TAC § 25.130; and (2) implement new base rates reflecting its ongoing costs

to provide AMS. Specifically, at the conclusion of this proceeding, with the implementation of new base rates, AEP Texas proposes to eliminate the AMSCRF surcharge and roll AMS capital expenditures and AMS operations and maintenance costs into base rates. AEP Texas will file a final AMS reconciliation to cover the time period from January 2019 through the effective date of new base rates approved in this proceeding.

E. Vegetation Management

The Company is requesting funds in addition to those incurred during the test year to expand its vegetation management program. A robust vegetation management program is critical to maintaining the reliability of the Company's distribution system and serving our customers. AEP Texas is proposing a total annual vegetation management spend of \$16.2 million. This is an increase of \$5 million over the \$11.2 million in vegetation management expenses in the Test Year. In addition to providing improved reliability on targeted circuits, the increased level of vegetation management spend will provide for a level of tree trimming necessary to facilitate the replacement of aging infrastructure as a part of the AEP Texas grid modernization plan. This request is further discussed by AEP Texas witnesses Talavera and Coad.

F. Rate Case Expenses

AEP Texas has provided an estimate of the rate case expenses it expects to incur in this docket. However, the Company requests that the determination of the reasonableness of these expenses be severed to a separate docket, so that they may be examined after the majority of the expenses have actually been incurred.

In addition, AEP Texas is seeking a reasonableness finding in this proceeding for rate case expenses incurred by the Company and the municipalities participating in the following prior dockets:

- Docket No. 28840, *Application of AEP Texas Central Company for Authority to Change Rates*;
- Docket No. 33309, *Application of AEP Texas Central Company for Authority to Change Rates*;
- Docket No. 33310, *Application of AEP Texas North Company for Authority to Change Rates*;
- Docket No. 34301, *Proceeding to Consider Rate Case Expenses Severed from Docket No. 33310 (Application of AEP Texas North Company for Authority to Change Rates) and Docket No. 33309 (Application of AEP Texas Central Company for Authority to Change Rates)*;
- Docket No. 40261, *Application of AEP Texas Central Company and AEP Texas North Company for Approval of Advanced Metering System Reconciliation Pursuant to PUC Subst. R. §25.130(k)(6)*;
- Docket No. 47015, *Application of AEP Texas, Inc. to Amend Its Distribution Cost Recovery Factors*;
- Docket No. 48222, *Application of AEP Texas Inc. to Amend Its Distribution Cost Recovery Factors*; and
- Docket No. 48577, *Application of AEP Texas Inc. for Determination of System Restoration Costs*.

The rate case expenses associated with these dockets total \$1,000,027 through February 2019. However, AEP Texas proposes to offset the rate case expenses collected with the \$302,051 over-collection that resulted from the rate case expense surcharge in Docket No. 34301. Therefore, AEP Texas will seek actual recovery of \$697,976.

AEP Texas proposes the review of the reasonableness of rate case expenses incurred in connection with these prior proceedings in this docket; however, AEP Texas is not requesting approval of the mechanism for their recovery in this docket. To recover these prior expenses, AEP Texas proposes to seek recovery through the mechanism requested in the severed docket that is opened to address the recovery of rate case expenses associated with this case.

VIII. IMPACT OF PROPOSED RATE CHANGE ON VARIOUS CLASSES

A. Retail Base Rates

The impact of AEP Texas' proposed combined rates for Retail Delivery Service differs for customers in the current Central and North Divisions, as shown by customer class in following table:

		Current Charges (March 2018)		Proposed Charges by Division		Proposed Consolidated	Current Charges vs Proposed Charges Consolidated	
	Billing Unit	Central Division	North Division	Central Division	North Division		Central Division	North Division
RESIDENTIAL								
Customer Charge	per account	\$ 3.19	\$ 2.94	\$ 1.60	\$ 1.26	\$ 1.54	\$ (1.65)	\$ (1.40)
Metering Charge	per meter	\$ 3.55	\$ 5.24	\$ 4.14	\$ 5.52	\$ 4.40	\$ 0.85	\$ (0.84)
Transmission System Charge	per kWh	\$ 0.011515	\$ 0.012992	\$ 0.012615	\$ 0.014777	\$ 0.012940	\$ 0.00143	\$ (0.00005)
Distribution System Charge	per kWh	\$ 0.016073	\$ 0.022861	\$ 0.022586	\$ 0.025532	\$ 0.023110	\$ 0.00704	\$ 0.000249
SECONDARY SERVICE <= 10kW								
Customer Charge	per account	\$ 3.20	\$ 4.25	\$ 1.60	\$ 1.28	\$ 1.54	\$ (1.66)	\$ (2.71)
Metering Charge	per meter	\$ 3.68	\$ 7.50	\$ 5.56	\$ 7.22	\$ 5.88	\$ 2.20	\$ (1.62)
Transmission System Charge	per kWh	\$ 0.006599	\$ 0.008435	\$ 0.007179	\$ 0.009080	\$ 0.007601	\$ 0.001002	\$ (0.000834)
Distribution System Charge	per kWh	\$ 0.021285	\$ 0.042533	\$ 0.022101	\$ 0.032562	\$ 0.024218	\$ 0.002933	\$ (0.018315)
SECONDARY SERVICE > THAN 10kW - NCP								
Customer Charge	per account	\$ 3.26	\$ 4.25	\$ 1.61	\$ 1.29	\$ 1.54	\$ (1.72)	\$ (2.71)
Metering Charge	per meter	\$ 15.81	\$ 18.68	\$ 15.27	\$ 21.07	\$ 16.38	\$ 0.57	\$ (2.30)
Transmission System Charge	per NCP kW	\$ 3.305590	\$.209856	\$ 3.113000	\$ 3.051000	\$ 3.10	\$ (0.204)	\$ (0.108)
Distribution System Charge	per Billed kW	\$ 3.773440	\$ 3.889589	\$ 5.270000	\$ 5.470000	\$ 5.330	\$ 1.557	\$ 1.440
SECONDARY SERVICE > THAN 10kW - 4CP								
Customer Charge	per account	\$ 26.52	\$ 26.00	\$ 1.61	\$ 1.29	\$ 1.54	\$ (24.98)	\$ (24.46)
Metering Charge	per meter	\$ 15.81	\$ 35.00	\$ 15.27	\$ 21.07	\$ 16.38	\$ 0.57	\$ (18.62)
Transmission System Charge	per 4CP	\$ 5.657	\$ 4.985	\$ 4.389	\$ 4.921	\$ 4.568	\$ (1.089)	\$ (0.417)
Distribution System Charge	per Billed kW	\$ 3.773	\$ 3.890	\$ 5.270	\$ 5.470	\$ 5.330	\$ 1.557	\$ 1.440
PRIMARY SERVICE BILLS - NCP								
Customer Charge	per account	\$ 3.80	\$ 4.25	\$ 1.82	\$ 1.49	\$ 1.61	\$ (2.19)	\$ (2.64)
Metering Charge	per meter	\$ 154.62	\$ 151.75	\$ 167.12	\$ 176.54	\$ 162.81	\$ 8.19	\$ 11.06

Transmission System Charge	per NCP	\$ 5.202	\$ 1.782	\$ 3.411	\$ 2.658	\$ 3.128	\$ (2.074)	\$ 1.346
Distribution System Charge	per Billed kW	\$ 3.310	\$ 2.185	\$ 3.710	\$ 3.960	\$ 3.696	\$ 0.386	\$ 1.511
PRIMARY SERVICE BILLS - 4CP								
Customer Charge	per account	\$ 28.41	\$ 26.00	\$ 1.82	\$ 1.49	\$ 1.61	\$ (26.80)	\$ (24.39)
Metering Charge	per meter	\$ 154.62	\$ 168.65	\$ 167.12	\$ 176.54	\$ 162.81	\$ 8.19	\$ (5.84)
Transmission System Charge	per 4CP	\$ 5.789	\$ 3.913	\$ 4.583	\$ 4.849	\$ 4.716	\$ (1.073)	\$ 0.803
Distribution System Charge	per Billed kW	\$ 3.310	\$ 2.185	\$ 3.710	\$ 3.960	\$ 3.696	\$ 0.386	\$ 1.511
TRANSMISSION SERVICE								
Customer Charge	per account	\$ 38.84	\$ 24.80	\$ 2.75	\$ 1.55	\$ 1.74	\$ (37.10)	\$ (23.06)
Metering Charge	per meter	\$ 1,869.15	\$ 850.00	\$ 1,157.44	\$ 561.95	\$ 999.51	\$ (869.64)	\$ 149.51
Transmission System Charge	per 4CP	\$ 4.159	\$ 2.281	\$ 4.668	\$ 5.080	\$ 4.657	\$ 0.498	\$ 2.376
Distribution System Charge	per Billed kW	\$ 0.206	\$ 0.043	\$ 0.283	\$ 0.003	\$ 0.249	\$ 0.043	\$ 0.206

The most significant driver of these rate changes is not the proposed consolidation of divisional rates, but instead the change in class revenue requirements. As explained by AEP Texas witness Jennifer Jackson, class allocation factors and billing determinants have changed substantially since AEP Texas' last rate case in 2006, leading to changes in class revenue requirements.

If approved and implemented through the Company's proposed consolidated rates for Retail Delivery Service, the impact on a residential customer in the Company's Central Division using 1,000 kilowatt-hours (kWh) per month would be an increase of approximately \$4.75 or 9.8% per month. A customer with a retail plan that charges 12.5 cents per kWh would see their rate go to 12.97 cents per kWh, or a 3.8% increase in their total bill. The impact on a residential customer in the Company's North Division using 1,000 kWh per month would be a decrease of approximately \$5.01 or -10.6 % per month. A customer with a retail plan that charges 12.5 cents per kWh would see their rate decrease to 12.0 cents per kWh, or a 4.0% decrease in their total bill. These impacts include the impact of the proposed ITR Rider.

B. Wholesale Transmission Service Rates

This application seeks a reduction to AEP Texas' transmission cost of service of approximately \$3.16 million and a combined rate for the two divisions. The result of AEP Texas' proposal is to change the wholesale transmission service rate from \$4.036612/kW for the Central Division and \$2.066591/kW for the North Division⁶ to \$6.058035/kW for AEP Texas combined. As addressed above, AEP Texas is also proposing a one-time credit of \$29 million associated with the effects of the TCJA.

IX. EFFECTIVE DATE

The proposed effective date of the requested rate change is June 5, 2019, which is 35 days after the filing of this Petition as allowed under PURA § 36.102 and 16 TAC § 22.243(a).

X. REQUEST FOR APPROVAL TO CONTINUE COMPETITIVE ENERGY SERVICE OFFERING

Pursuant to 16 TAC § 25.343(d), AEP Texas requests Commission approval to continue its offering of facilities rental services, as described in tariff schedules 6.1.2.3.6, 6.1.3.3.6 and 6.1.4.3.6, for a period of three years commencing January 1, 2020. Facilities rental service to retail customers is considered a Competitive Energy Service (CES) under 16 TAC § 25.341(3). 16 TAC § 25.342(d)(1) further states that electric utilities may not offer CES, but allows a utility to petition under 16 TAC § 25.243(d) for authority to continue to provide such services. The Commission most recently approved AEP Texas' request to provide facilities rental services, to existing customers only, in Docket No. 46824, for a period of three years, which expires January 1, 2020. The Commission's order in Docket No. 46824 further requires that AEP Texas provide, in the earlier of its next base rate or CES renewal filing: (1) a comprehensive study that addresses the

⁶ *Application of AEP Texas Inc. for Interim Update of Wholesale Transmission Rates*, Docket No. 49192, Notice of Approval (Apr. 24, 2019).

costs and rate impact of adding additional metering points to each installation where company-owned facilities are on the customer side of the meter, and (2) a proposed cost-based tariff for transformation services.

In order to present all matters pertinent to the continuation of the facilities rental service, AEP Texas is providing as part of this case the information ordered in Docket No. 46824, and is also making its request at this time for a further three-year continuation of its ability to offer facilities rental service to existing retail customers. Renewal is appropriate as the service is valuable and needed by existing customers, there is currently no adequate alternative to AEP Texas' provision of the service, and the limited extension of the service proposed by the Company will not create or perpetuate a market barrier for new providers of the CES. AEP Texas requests that the Commission enter an order granting approval to continue the facilities rental service for an additional three-year period before January 1, 2020.

XI. PROPOSED REVISIONS OF TARIFFS AND SCHEDULES

AEP Texas is proposing revisions to most tariffs and schedules. A copy of the proposed revised tariffs is included as Exhibit JLJ-4 to the Direct Testimony of AEP Texas witness Jennifer Jackson.

AEP Texas' consolidated rate request discussed above results in textual changes throughout the proposed Consolidated Tariff for Retail Delivery Service, as well as updates to and consolidation of the discretionary services terms and fees based on updated AEP Texas-specific costs.

In addition, the Company's consolidated rate design proposal also includes support for existing AEP Texas Service Riders, as well as the Company's plan to:

- terminate the AMSCRF,
- reset the baseline for the DCRF,

- collect all transmission expenses through the TCRF,
- explain the removal of energy efficiency costs from base rates to recovery through the EECRF pursuant to 16 TAC § 25.182(d)(4)-(5), and
- continue Central Division-specific riders including the Transition Cost riders (TC2 and TC3) and the Nuclear Decommissioning Rider (NDC).

XII. REQUESTED PROTECTIVE ORDER

AEP Texas requests that the Presiding Officer assigned to this case issue a protective order in the form provided as Appendix B to this Petition and Section VII to the RFP to govern review and use of confidential, proprietary, and market-sensitive information. The proposed protective order provided as Appendix B is identical to that approved in Docket No. 46449.

AEP Texas requests that the Presiding Officer consider this request for issuance of a protective order on an expedited basis. Pending approval of the protective order, AEP Texas will offer access to confidential and highly sensitive information to eligible requesting parties who execute the protective order certification provided in Section VII. The confidential and highly sensitive information will also be made available at the Austin offices of AEP to those eligible parties who execute the protective order certification, which is included as Attachment A to the proposed protective order. Also attached to the proposed protective order is AEP Texas' initial Statement Under Section 4 of the Protective Order and List of Confidential/Highly Sensitive Information, which provides a list of documents accompanying the RFP that AEP Texas considers confidential or highly sensitive information entitled to protection under the proposed protective order.

XIII. NOTICE

On March 25, 2019, pursuant to PURA § 33.024, AEP Texas provided notice of its intent to file a Statement of Intent to all municipalities with original jurisdiction over the Company's rates and services.

In accordance with 16 TAC § 22.51(a)(1), AEP Texas will publish notice of this application once a week for four consecutive weeks prior to the effective date of the proposed rate change, in newspapers that have general circulation in each county containing territory in AEP Texas' service area that will be affected by the proposed rate change. A copy of the notice is included as Appendix C to this Petition.

In accordance with 16 TAC § 22.51(a)(2), AEP Texas will mail notice of its intent to change rates to all of its affected customers in substantially the same form as that included in Appendix C. Because AEP Texas does not have any end-use customers, this notice will be directed to each REP registered to provide service in Texas, and all entities listed in the Commission's transmission matrix in Docket No. 48929, *Commission Staff's Petition to Set 2019 Wholesale Transmission Service Charges For the Electric Reliability Council of Texas*.

AEP Texas will deliver a copy of this Petition to the appropriate officer of each affected municipality in its service territory in compliance with 16 TAC § 22.51(a)(3).

Finally, AEP Texas will provide notice of this filing, in substantially the same form as that included in Appendix C, to each party in AEP Texas' last rate cases, Docket Nos. 33309 and 33310.

XIV. PRAYER FOR RELIEF

AEP Texas requests that the Commission approve the rates requested in this Petition and grant AEP Texas such other relief to which it has shown itself entitled.

Respectfully submitted,

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DUGGINS WREN MANN & ROMERO, LLP

By: 

William Coe

ATTORNEYS FOR AEP TEXAS INC.

PUC DOCKET NO. _____

APPLICATION OF AEP TEXAS INC.	§	BEFORE THE
FOR AUTHORITY TO CHANGE	§	PUBLIC UTILITY COMMISSION
RATES	§	OF TEXAS

MUNICIPALITIES IN AEP TEXAS' SERVICE TERRITORY

A. AEP Texas Central Division

Abram-Perezville	Crystal City	Hillje
Adams Garden	Dacosta	Indian Lake
Agua Dulce	Del Rio	Inez
Alamo	Derby	Ingleside
Alice	Devine	Ingleside on the Bay
Alleyton	Dilley **	Jourdanton **
Alton	Donna	Karnes City
Aransas Pass	Driscoll	Kenedy
Asherton	Eagle Lake	Kingsville
Austwell **	Eagle Pass	Knippa
Banquete	Edcouch	La Blanca
Barksdale	Edinburg	La Casita-Garciasville
Bay City	Edna	La Feria
Bayside	Edroy	La Grulla **
Bayview	El Campo	La Joya
Beeville	El Cenizo **	La Pryor
Belmont	El Indio	La Villa
Benavides	El Maton	Laguna Heights
Berclair	Elsa	Laguna Vista
Big Wells	Encinal **	Lake City **
Bishop	Encino	Lakeside **
Blessing	Escobares	Lamar
Blewett	Falfurrias **	Laredo
Bloomington	Freer	Laureles
Bluetown	Fronton	Leakey
Brackettville	Fulton	Leesville
Brownsville *	Ganado	Leming
Bruni	Garwood	Long Mott
Camp Wood	George West	Los Ebanos
Carrizo Springs	Gillett	Los Fresnos
Catarina	Glidden	Los Indios
Chapman Ranch	Goliad	Louise
Charlotte	Granjeno	Lozano
Christine **	Gregory	Luling *
Columbus	Guadalupe	Lyford
Combes	Hargill	Lytle

Comstock	Harlingen	Madero
Concepcion	Havana	Markham
Corpus Christi	Hebbronville	Matagorda
Cotulla **	Hidalgo	Mathis
Matthews	Port Aransas	San Perlita **
McAllen	Port Isabel	San Ygnacio
Mercedes	Port Lavaca	Sandia
Midfield	Port Mansfield	Santa Maria
Millett	Portland	Santa Monica
Mirando City	Poteet	Santa Rosa
Mission	Premont **	Seadrift **
Monte Alto	Primera	Sebastian
Moore	Progreso	Seco Mines
Nada	Progreso Lakes	Sejita
Natalia **	Quemado	Seven Sisters
Nixon	Rabb	Sinton
Nordheim	Ramireno	Skidmore
Normandy	Ramirez	Smiley
Normanna	Rancho Viejo	South Padre Island
Oakville	Raymondville	Spofford **
Odem	Realitos	Sullivan City
Oilton	Refugio	Taft
Olmito	Ricardo	Three Rivers
Orange Grove	Rio Bravo **	Tivoli
Palacios	Rio Grande City	Tuleta
Palm Valley	Rio Hondo	Tulsita
Palmhurst **	Rios	Tynan
Palmview	Rivera	Uvalde
Pawnee	Rockport	Victoria
Pearsall	Rocksprings	Violet
Penitas	Roma-Los Saenz	Wadsworth
Pernitas Point **	Runge	Weesatche
Petronila	Sabinal	Weslaco
Pettus	San Benito	Westhoff
Pharr	San Carlos	Winter Haven
Placedo	San Diego	Woodsboro
Pleasanton	San Juan	Yorktown
Point Comfort **	San Patricio **	Zapata

All communities are in the State of Texas

* AEP Texas - Central Division serves only a portion of each of these cities.

** Original jurisdiction ceded to the Public Utility Commission of Texas by the city.

B. AEP Texas North Division

Abilene	Flomot *	Menard *	Sagerton *
Acme *	Fort Chadbourne *	Mereta *	San Angelo
Afton *	Fort Davis *	Merkel *	Santa Anna *
Albany *	Gasoline *	Mertzson *	Saragosa *
Alpine *	Girard *	Miles *	Scranton *
Anson *	Girvin *	Moran *	Sedwick *
Aspermont *	Glenn *	Munday	Shafter *
Avoca *	Goodlett *	Nimrod *	Sheffield *
Baird *	Goree *	Noodle *	Sherwood *
Bakersfield *	Grayback *	Norton *	Sonora
Ballinger *	Hamlin *	O'Brien *	Spur *
Balmorhea *	Harrold *	Odell *	Stamford
Barnhart *	Haskell *	Oklunion *	Sterling City *
Benjamin	Hatchell *	Old Glory *	Swenson *
Best *	Hawley	Ovalo *	Sylvester *
Big Lake	Hefner *	Ozona *	Talpa *
Blackwell *	Impact *	Paducah	Tankersley *
Bradshaw *	Imperial *	Paint Rock *	Thalia *
Bronte *	Iraan *	Peacock *	Throckmorton *
Buffalo Gap *	Jayton *	Pioneer *	Toyahvale *
Burkett *	Junction *	Potosi *	Trent *
Caps *	Kirkland *	Presidio *	Truscott *
Carlsbad *	Knickerbocker *	Putnam	Turkey *
Childress	Knox City	Quanah	Tuscola *
Chillicothe *	Lawn *	Quitaque *	Tye *
Christoval *	Lockett *	Rankin *	Valentine *
Cisco	Longworth *	Rayland *	Valera *
Clyde *	Lueders *	Redford *	Veribest *
Cross Cut *	Marathon *	Rising Star *	Vernon
Cross Plains *	Marfa *	Roaring Springs *	View *
Crowell *	Margaret *	Robert Lee *	Wall *
Dickens *	Matador *	Roby *	Water Valley *
Eden	May *	Rochelle *	Weinert *
Eldorado *	McAdoo *	Rochester	Whiteland *
Elliot *	McCamey *	Rotan *	Wilmeth *
Elton *	McCaulley *	Rowena *	Wingate *
Eola *	Medicine Mound *	Royston *	Winters
Eula *	Melvin *	Rule *	Woodson *
Farmers Valley *			

* Original jurisdiction ceded to the Public Utility Commission of Texas by the city.

PUC DOCKET NO. _____

APPLICATION OF AEP TEXAS INC.	§	BEFORE THE
FOR AUTHORITY TO CHANGE	§	PUBLIC UTILITY COMMISSION
RATES	§	OF TEXAS

PROTECTIVE ORDER

This Protective Order shall govern the use of all information deemed confidential (Protected Materials) or highly confidential (Highly Sensitive Protected Materials), including information whose confidentiality is currently under dispute, by a party providing information to the Public Utility Commission of Texas (Commission) or to any other party to this proceeding.

It is ORDERED that:

1. **Designation of Protected Materials.** Upon producing or filing a document, including, but not limited to, records on a computer disk or other similar electronic storage medium in this proceeding, the producing party may designate that document, or any portion of it, as confidential pursuant to this Protective Order by typing or stamping on its face “PROTECTED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____” (or words to this effect) and consecutively Bates Stamping each page. Protected Materials and Highly Sensitive Protected Materials include the documents so designated, as well as the substance of the information contained in the documents and any description, report, summary, or statement about the substance of the information contained in the documents.
2. **Materials Excluded from Protected Materials Designation.** Protected Materials shall not include any information or document contained in the public files of the Commission or any other federal or state agency, court, or local governmental authority subject to the Public Information Act.⁷ Protected Materials also shall not include documents or information which at the time of, or prior to disclosure in, a proceeding is or was public knowledge, or which becomes public knowledge other than through disclosure in violation of this Protective Order.

⁷ Tex. Gov’t Code Ann. §§ 552.001-552.353 (West 2012 & Supp. 2016).

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3. **Reviewing Party.** For the purposes of this Protective Order, a “Reviewing Party” is any party to this docket.
4. **Procedures for Designation of Protected Materials.** On or before the date the Protected Materials or Highly Sensitive Protected Materials are provided to the Commission, the producing party shall file with the Commission and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (a) any exemptions to the Public Information Act claimed to apply to the alleged Protected Materials; (b) the reasons supporting the producing party’s claim that the responsive information is exempt from public disclosure under the Public Information Act and subject to treatment as protected materials; and (c) that counsel for the producing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation.
5. **Persons Permitted Access to Protected Materials.** Except as otherwise provided in this Protective Order, a Reviewing Party may access Protected Materials only through its “Reviewing Representatives” who have signed the Protective Order Certification Form (see Attachment A). Reviewing Representatives of a Reviewing Party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the Reviewing Party and directly engaged in this proceeding. At the request of the PUC Commissioners, copies of Protected Materials may be produced by Commission Staff. The Commissioners and their staff shall be informed of the existence and coverage of this Protective Order and shall observe the restrictions of the Protective Order.
6. **Highly Sensitive Protected Material Described.** The term “Highly Sensitive Protected Materials” is a subset of Protected Materials and refers to documents or information that a producing party claims is of such a highly sensitive nature that making copies of such documents or information or providing access to such documents to employees of the Reviewing Party (except as specified herein) would expose a producing party to unreasonable risk of harm. Highly Sensitive Protected Materials include but are not limited

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to: (a) customer-specific information protected by § 32.101(c) of the Public Utility Regulatory Act;⁸ (b) contractual information pertaining to contracts that specify that their terms are confidential or that are confidential pursuant to an order entered in litigation to which the producing party is a party; (c) market-sensitive fuel price forecasts, wholesale transactions information and/or market-sensitive marketing plans; and (d) business operations or financial information that is commercially sensitive. Documents or information so classified by a producing party shall bear the designation “HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____” (or words to this effect) and shall be consecutively Bates Stamped. The provisions of this Protective Order pertaining to Protected Materials also apply to Highly Sensitive Protected Materials, except where this Protective Order provides for additional protections for Highly Sensitive Protected Materials. In particular, the procedures herein for challenging the producing party’s designation of information as Protected Materials also apply to information that a producing party designates as Highly Sensitive Protected Materials.

7. **Restrictions on Copying and Inspection of Highly Sensitive Protected Material.**

Except as expressly provided in this Protective Order, one copy of Highly Sensitive Protected Materials may be made and kept in the possession of outside counsel for a Reviewing Party and one copy in the possession of the outside consultants having a need to access the materials, except that additional copies may be made to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. The Reviewing Party shall maintain a record of all copies made of Highly Sensitive Protected Material and shall send a duplicate of the record to the producing party when the copy or copies are made. The record shall specify the location and the person possessing the copy. Limited notes may be made of Highly Sensitive Protected Materials, and such notes shall themselves be treated as Highly Sensitive Protected Materials unless such notes are limited to a description of the document and a

⁸ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (PURA).

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general characterization of its subject matter in a manner that does not state any substantive information contained in the document.

8. **Restricting Persons Who May Have Access to Highly Sensitive Protected Material.**

With the exception of Commission Staff, the Office of the Attorney General (OAG), and the Office of Public Utility Counsel (OPC), and except as provided herein, the Reviewing Representatives for the purpose of access to Highly Sensitive Protected Materials may be persons who are (a) outside counsel for the Reviewing Party, (b) outside consultants for the Reviewing Party working under the direction of Reviewing Party's counsel or, (c) employees of the Reviewing Party working with and under the direction of Reviewing Party's counsel who have been authorized by the presiding officer to review Highly Sensitive Protected Materials. The Reviewing Party shall limit the number of Reviewing Representatives that review Highly Sensitive Protected Materials to the minimum number of persons necessary. The Reviewing Party is under a good faith obligation to limit access to each portion of any Highly Sensitive Protected Materials to two Reviewing Representatives whenever possible. Reviewing Representatives for Commission Staff, OAG, and OPC, for the purpose of access to Highly Sensitive Protected Materials, shall consist of their respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by them and directly engaged in these proceedings.

9. **Copies Provided of Highly Sensitive Protected Material.** A producing party shall provide one copy of Highly Sensitive Protected Materials specifically requested by the Reviewing Party to the person designated by the Reviewing Party who must be a person authorized to review Highly Sensitive Protected Material under Paragraph 8. Representatives of the Reviewing Party who are authorized to view Highly Sensitive Protected Material may review the copy of Highly Sensitive Protected Materials at the office of the Reviewing Party's representative designated to receive the information. Any Highly Sensitive Protected Materials provided to a Reviewing Party may not be copied except as provided in Paragraph 7. The restrictions contained herein do not apply to

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Commission Staff, OPC, and the OAG when the OAG is a representing a party to the proceeding.

10. **Procedures in Paragraphs 10-14 Apply to Commission Staff, OPC, and the OAG and Control in the Event of Conflict.** The procedures in Paragraphs 10 through 14 apply to responses to requests for documents or information that the producing party designates as Highly Sensitive Protected Materials and provides to Commission Staff, OPC, and the OAG in recognition of their purely public functions. To the extent the requirements of Paragraphs 10 through 14 conflict with any requirements contained in other paragraphs of this Protective Order, the requirements of these Paragraphs shall control.
11. **Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC and the OAG.** When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing party shall also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC, and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC, and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPC and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures specified herein.
12. **Delivery of the Copy of Highly Sensitive Protected Material to Commission Staff and Outside Consultants.** The Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification specified by Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification in Attachment A.

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13. **Restriction on Copying by Commission Staff, OPC and the OAG.** Except as allowed by Paragraph 7, Commission Staff, OPC and the OAG may not make additional copies of the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the presiding officer directs otherwise. Commission Staff, OPC, and the OAG may make limited notes of Highly Sensitive Protected Materials furnished to them, and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.
14. **Public Information Requests.** In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized representative of the Commission, OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.
15. **Required Certification.** Each person who inspects the Protected Materials shall, before such inspection, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

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In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order shall, before inspection of such material, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

The Reviewing Party shall provide a copy of each signed certification to Counsel for the producing party and serve a copy upon all parties of record.

16. **Disclosures between Reviewing Representatives and Continuation of Disclosure Restrictions after a Person is no Longer Engaged in the Proceeding.** Any Reviewing Representative may disclose Protected Materials, other than Highly Sensitive Protected Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person shall be terminated and all notes, memoranda, or other information derived from the protected material shall either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification shall continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.
17. **Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials.** Except for Highly Sensitive Protected Materials, which shall be provided to the Reviewing Parties pursuant to Paragraphs 9, and

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voluminous Protected Materials, the producing party shall provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the documents reproduced and the number of copies made, and upon request the Reviewing Party shall provide the party asserting confidentiality with a copy of that record.

18. **Procedures Regarding Voluminous Protected Materials.** 16 Tex. Admin. Code (TAC) § 22.144(h) will govern production of voluminous Protected Materials. Voluminous Protected Materials will be made available in the producing party's voluminous room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m. to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.
19. **Reviewing Period Defined.** The Protected Materials may be reviewed only during the Reviewing Period, which shall commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. **Procedures for Making Copies of Voluminous Protected Materials.** Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical or electronic copies of the Protected Materials, subject to the conditions in this Protective Order; provided, however, that before photographic, mechanical or electronic copies may be made, the Reviewing Party seeking photographic, mechanical or electronic copies must provide written confirmation of the receipt of copies listed on Attachment B of this Protective Order identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.

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21. **Protected Materials to be Used Solely for the Purposes of These Proceedings.** All Protected Materials shall be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (a) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise from or be subject to these proceedings; or (b) any business or competitive endeavor of whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.
22. **Procedures for Confidential Treatment of Protected Materials and Information Derived from Those Materials.** Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived from the Protected Materials are to be treated confidentially by the Reviewing Party and shall not be disclosed or used by the Reviewing Party except as permitted and provided in this Protective Order. Information derived from or describing the Protected Materials shall be maintained in a secure place and shall not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to insure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.
23. **Procedures for Submission of Protected Materials.** If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents shall be marked "PROTECTED MATERIAL" and shall be filed under seal with the

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presiding officer and served under seal to the counsel of record for the Reviewing Parties. The presiding officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (a) shall notify the party which provided the information within sufficient time so that the producing party may seek a temporary sealing order; and (b) shall otherwise follow the procedures in Rule 76a, Texas Rules of Civil Procedure.

24. **Maintenance of Protected Status of Materials during Pendency of Appeal of Order Holding Materials are not Protected Materials.** In the event that the presiding officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials shall nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless otherwise ordered, from the date the party asserting confidentiality receives notice of the presiding officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a presiding officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials shall be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.
25. **Notice of Intent to Use Protected Materials or Change Materials Designation.** Parties intending to use Protected Materials shall notify the other parties prior to offering them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. _____ at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such

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information or material has entered the public domain, such Reviewing Party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party shall at any time be able to file a written motion to challenge the designation of information as Protected Materials.

26. **Procedures to Contest Disclosure or Change in Designation.** In the event that the party asserting confidentiality wishes to contest a proposed disclosure or request for change in designation, the party asserting confidentiality shall file with the appropriate presiding officer its objection to a proposal, with supporting affidavits, if any, within five (5) working days after receiving such notice of proposed disclosure or change in designation. Failure of the party asserting confidentiality to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Within five (5) working days after the party asserting confidentiality files its objection and supporting materials, the party challenging confidentiality may respond. Any such response shall include a statement by counsel for the party challenging such confidentiality that he or she has reviewed all portions of the materials in dispute and, without disclosing the Protected Materials, a statement as to why the Protected Materials should not be held to be confidential under current legal standards, or that the party asserting confidentiality for some reason did not allow such counsel to review such materials. If either party wishes to submit the material in question for in camera inspection, it shall do so no later than five (5) working days after the party challenging confidentiality has made its written filing.
27. **Procedures for Presiding Officer Determination Regarding Proposed Disclosure or Change in Designation.** If the party asserting confidentiality files an objection, the appropriate presiding officer will determine whether the proposed disclosure or change in designation is appropriate. Upon the request of either the producing or Reviewing Party or upon the presiding officer's own initiative, the presiding officer may conduct a prehearing conference. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the presiding

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officer determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three (3) full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such presiding officer's ruling.

28. **Maintenance of Protected Status during Periods Specified for Challenging Various Orders.**

Any party electing to challenge, in the courts of this state, a Commission or presiding officer determination allowing disclosure or a change in designation shall have a period of ten (10) days from: (a) the date of an unfavorable Commission order; or (b) if the Commission does not rule on an appeal of an interim order, the date an appeal of an interim order to the Commission is overruled by operation of law, to obtain a favorable ruling in state district court. Any party challenging a state district court determination allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from a state appeals court. Finally, any party challenging a determination of a state appeals court allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from the state supreme court, or other appellate court. All Protected Materials shall be afforded the confidential treatment and status provided for in this Protective Order during the periods for challenging the various orders referenced in this paragraph. For purposes of this paragraph, a favorable ruling of a state district court, state appeals court, Supreme Court or other appellate court includes any order extending the deadlines in this paragraph.

29. **Other Grounds for Objection to Use of Protected Materials Remain Applicable.**

Nothing in this Protective Order shall be construed as precluding any party from objecting to the use of Protected Materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this Protective Order constitutes a waiver of the right to argue for more disclosure, provided, however, that unless the Commission or a court orders such additional disclosure, all parties will abide by the restrictions imposed by the Protective Order.

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30. **Protection of Materials from Unauthorized Disclosure.** All notices, applications, responses or other correspondence shall be made in a manner which protects Protected Materials from unauthorized disclosure.
31. **Return of Copies of Protected Materials and Destruction of Information Derived from Protected Materials.** Following the conclusion of these proceedings, each Reviewing Party must, no later than thirty (30) days following receipt of the notice described below, return to the party asserting confidentiality all copies of the Protected Materials provided by that party pursuant to this Protective Order and all copies reproduced by a Reviewing Party, and counsel for each Reviewing Party must provide to the party asserting confidentiality a letter by counsel that, to the best of his or her knowledge, information, and belief, all copies of notes, memoranda, and other documents regarding or derived from the Protected Materials (including copies of Protected Materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of the substance of Protected Materials. As used in this Protective Order, “conclusion of these proceedings” refers to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the “conclusion of these proceedings” is extended by the remand to the exhaustion of available appeals of the remand, or the running of the time for making such appeals of the remand, as provided by applicable law. Promptly following the conclusion of these proceedings, counsel for the party asserting confidentiality will send a written notice to all other parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each Reviewing Party from retaining two (2) copies of any filed testimony, brief, application for rehearing, hearing exhibit or other pleading which refers to Protected Materials provided that any such Protected Materials retained by counsel shall remain subject to the provisions of this Protective Order.

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32. **Applicability of Other Law.** This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act,⁹ the Texas Securities Act¹⁰ and any other applicable law, provided that parties subject to those acts will notify the party asserting confidentiality, if possible under those acts, prior to disclosure pursuant to those acts. Such notice shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
33. **Procedures for Release of Information under Order.** If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (a) the Reviewing Party shall notify the producing party of the order requiring the release of such information within five (5) calendar days of the date the Reviewing Party has notice of the order; (b) the Reviewing Party shall notify the producing party at least five (5) calendar days in advance of the release of the information to allow the producing party to contest any release of the confidential information; and (c) the Reviewing Party shall use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein. The notice specified in this section shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

⁹ Tex. Gov't Code Ann. § 551.001-551.146 (West 2012 & Supp. 2016).

¹⁰ Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43 (West 2010 & Supp. 2016).

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34. **Best Efforts Defined.** The term “best efforts” as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body, the written opinion of the Texas Attorney General sought in compliance with the Public Information Act, or the request of governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the Reviewing Party will either proceed under the provisions of §552.301 of the Public Information Act, or intends to comply with the final governmental or court order. Provided, however, that no notice is required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
35. **Notify Defined.** “Notify” for purposes of Paragraphs 32, 33 and 34 means written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission, OAG, or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.
36. **Requests for Non-Disclosure.** If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Protective Order, the producing party shall tender the information for in camera review to the presiding officer within ten (10) calendar days of the request. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly

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Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information.

Parties wishing to respond to the producing party's argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer shall stay the order of disclosure for such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the Commission.

37. **Sanctions Available for Abuse of Designation.** If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the presiding officer may sanction the producing party pursuant to 16 TAC § 22.161.
38. **Modification of Protective Order.** Each party shall have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. **Breach of Protective Order.** In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.

ATTACHMENT A

Protective Order Certification

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket and that I have received a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated here shall not apply.

Signature

Party Represented

Printed Name

Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

Signature

Party Represented

Printed Name

Date

ATTACHMENT B

I request to view/copy the following documents:

Document Requested	# of Copies	Non-Confidential	Protected Materials and/or Highly Sensitive Protected Materials

Signature

Party Represented

Printed Name

Date

PUC DOCKET NO. _____

APPLICATION OF AEP TEXAS INC.	§	BEFORE THE
FOR AUTHORITY TO CHANGE	§	PUBLIC UTILITY COMMISSION
RATES	§	OF TEXAS

**STATEMENT UNDER SECTION 4 OF THE PROTECTIVE ORDER
AND LIST OF CONFIDENTIAL/HIGHLY SENSITIVE INFORMATION**

AEP Texas Inc.'s (AEP Texas) filing package includes customer specific information, confidential employee related information, proprietary information, commercially or competitively sensitive information, and/or trade secret information, or information whose public disclosure would be contrary to contractual obligations to which AEP Texas is bound. The public disclosure of this information would harm AEP Texas or third parties with whom AEP Texas must maintain an ongoing business relationship. Therefore, this information is protected under the Public Information Act, Tex. Gov't. Code §§ 552.101, 552.102, 552.104, and 552.110, or Tex. Util. Code § 32.101(c). The following is a list of schedules, exhibits, and workpapers that include such information, along with the sponsoring witness, the designation of the information, and applicable legal exemption.

Confidential and Highly Sensitive Information

Witness	Exempt Material	Designation	Exempt Under Tex. Gov't Code
Curt Cooper	EXHIBIT CDC-3 EXHIBIT CDC-5 EXHIBIT CDC-6 Schedule II-D-3.10	HIGHLY SENSITIVE	§§ 552.102, 552.104, 552.110
Renee Hawkins	Schedule II-C-2.6 Schedule II-C-2.7 Schedule II-C-2.10	HIGHLY SENSITIVE	§§ 552.104, 552.110

	Schedule II-C-4		
Michael Kelly	Schedule II-E-3.1 Workpaper	HIGHLY SENSITIVE	§§ 552.104, 552.110
Randall Hamlett	Schedule II-D-2.9 Workpapers	HIGHLY SENSITIVE	§§ 552.104, 552.110
Chad Burnett	Schedule II-H-2.1 Schedule II-H-2.2	HIGHLY SENSITIVE	§§ 552.101, 552.104, 552.110; Tex. Util. Code § 32.101(c)

I certify that I have reviewed the information sufficiently to state in good faith that the Information is exempt from public disclosure under the Public Information Act or Tex. Util. Code § 32.101(c) and merits the applicable designation of Confidential (Protected) Materials or Highly Sensitive (Highly Sensitive Protected) Materials detailed in the Protective Order accompanying this Application.


Melissa A. Gage

Date: May 1, 2019

NOTICE OF RATE CHANGE REQUEST

AEP Texas Inc. (AEP Texas) publishes this notice that on May 1, 2019 AEP Texas filed with the Public Utility Commission of Texas (Commission) its Petition and Statement of Intent to Change Rates (the Petition), a copy of which is kept at AEP Texas' office at 400 W. 15th Street, Suite 1500, Austin, Texas, 78701. The Petition has been assigned Docket No. _____. This notice is being published in accordance with Section 36.103 of the Public Utility Regulatory Act and Commission Procedural Rule 16 Tex. Admin. Code § 22.51(a)(1).

AEP Texas currently maintains two separate divisions—the Central Division and the North Division. These divisions charge separate retail and wholesale rates. AEP Texas seeks to combine the rates of these two divisions and charge to all its customers a single combined retail or wholesale rate.

AEP Texas' Petition is based on the system-wide financial results for a 12-month test year ending on December 31, 2018, adjusted for known and measureable changes. Related to its distribution cost of service, the Company requests a rate increase of approximately \$38.3 million over its adjusted test year revenues, an increase of 4.2%. This amount is net of the Company's proposed Income Tax Refund (ITR) Rider, which refunds a total amount of \$83 million associated with changes in the corporate income tax rate resulting from the Tax Cuts and Jobs Act of 2017 (TCJA). Related to its transmission cost of service, the Company requests a rate decrease of \$3.16 million below its adjusted test year revenues, a decrease of 0.7%, and proposes a one-time credit of \$29 million associated with the TCJA.

If approved and implemented through the Company's proposed consolidated rates for Retail Delivery Service, the impact on a residential customer in the Company's Central Division using 1,000 kilowatt-hours (kWh) per month would be an increase of approximately \$4.75 or 9.8% per month. A customer with a retail plan that charges 12.5 cents per kWh would see their rate go to 12.97 cents per kWh, or a 3.8% increase in their total bill. The impact on a residential customer in the Company's North Division using 1,000 kWh per month would be a decrease of approximately \$5.01 or -10.6 % per month. A customer with a retail plan that charges 12.5 cents per kWh would see their rate decrease to 12.0 cents per kWh, or a 4.0% decrease in their total bill. The extent to which these additional charges would be passed on by Retail Electric Providers (REPs) is a function of the competitive market.

The impact of the proposed combined rates for Retail Delivery Service differs for customers in the current North and Central Divisions, as shown by customer class in the chart immediately below:

		Current Charges (March 2018)		Proposed Charges by Division		Proposed Consolidated	Current Charges vs Proposed Charges Consolidated	
	Billing Unit	Central Division	North Division	Central Division	North Division		Central Division	North Division
RESIDENTIAL								
Customer Charge	per account	\$ 3.19	\$ 2.94	\$ 1.60	\$ 1.26	\$ 1.54	\$ (1.65)	\$ (1.40)
Metering Charge	per meter	\$ 3.55	\$ 5.24	\$ 4.14	\$ 5.52	\$ 4.40	\$ 0.85	\$ (0.84)
Transmission System Charge	per kWh	\$ 0.011515	\$ 0.012992	\$ 0.012615	\$ 0.014777	\$ 0.012940	\$ 0.00143	\$ (0.00005)
Distribution System Charge	per kWh	\$ 0.016073	\$ 0.022861	\$ 0.022586	\$ 0.025532	\$ 0.023110	\$ 0.00704	\$ 0.000249
SECONDARY SERVICE <= 10kW								
Customer Charge	per account	\$ 3.20	\$ 4.25	\$ 1.60	\$ 1.28	\$ 1.54	\$ (1.66)	\$ (2.71)
Metering Charge	per meter	\$ 3.68	\$ 7.50	\$ 5.56	\$ 7.22	\$ 5.88	\$ 2.20	\$ (1.62)
Transmission System Charge	per kWh	\$ 0.006599	\$ 0.008435	\$ 0.007179	\$ 0.009080	\$ 0.007601	\$ 0.001002	\$ (0.000834)
Distribution System Charge	per kWh	\$ 0.021285	\$ 0.042533	\$ 0.022101	\$ 0.032562	\$ 0.024218	\$ 0.002933	\$ (0.018315)
SECONDARY SERVICE > THAN 10kW - NCP								
Customer Charge	per account	\$ 3.26	\$ 4.25	\$ 1.61	\$ 1.29	\$ 1.54	\$ (1.72)	\$ (2.71)
Metering Charge	per meter	\$ 15.81	\$ 18.68	\$ 15.27	\$ 21.07	\$ 16.38	\$ 0.57	\$ (2.30)
Transmission System Charge	per NCP kW	\$ 3.305590	\$.209856	\$ 3.113000	\$ 3.051000	\$ 3.10	\$ (0.204)	\$ (0.108)
Distribution System Charge	per Billed kW	\$ 3.773440	\$ 3.889589	\$ 5.270000	\$ 5.470000	\$ 5.330	\$ 1.557	\$ 1.440
SECONDARY SERVICE > THAN 10kW - 4CP								
Customer Charge	per account	\$ 26.52	\$ 26.00	\$ 1.61	\$ 1.29	\$ 1.54	\$ (24.98)	\$ (24.46)
Metering Charge	per meter	\$ 15.81	\$ 35.00	\$ 15.27	\$ 21.07	\$ 16.38	\$ 0.57	\$ (18.62)
Transmission System Charge	per 4CP	\$ 5.657	\$ 4.985	\$ 4.389	\$ 4.921	\$ 4.568	\$ (1.089)	\$ (0.417)
Distribution System Charge	per Billed kW	\$ 3.773	\$ 3.890	\$ 5.270	\$ 5.470	\$ 5.330	\$ 1.557	\$ 1.440
PRIMARY SERVICE BILLS - NCP								
Customer Charge	per account	\$ 3.80	\$ 4.25	\$ 1.82	\$ 1.49	\$ 1.61	\$ (2.19)	\$ (2.64)
Metering Charge	per meter	\$ 154.62	\$ 151.75	\$ 167.12	\$ 176.54	\$ 162.81	\$ 8.19	\$ 11.06
Transmission System Charge	per NCP	\$ 5.202	\$ 1.782	\$ 3.411	\$ 2.658	\$ 3.128	\$ (2.074)	\$ 1.346

Appendix C to Petition
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Distribution System Charge	per Billed kW	\$ 3.310	\$ 2.185	\$ 3.710	\$ 3.960	\$ 3.696	\$ 0.386	\$ 1.511
PRIMARY SERVICE BILLS - 4CP								
Customer Charge	per account	\$ 28.41	\$ 26.00	\$ 1.82	\$ 1.49	\$ 1.61	\$ (26.80)	\$ (24.39)
Metering Charge	per meter	\$ 154.62	\$ 168.65	\$ 167.12	\$ 176.54	\$ 162.81	\$ 8.19	\$ (5.84)
Transmission System Charge	per 4CP	\$ 5.789	\$ 3.913	\$ 4.583	\$ 4.849	\$ 4.716	\$ (1.073)	\$ 0.803
Distribution System Charge	per Billed kW	\$ 3.310	\$ 2.185	\$ 3.710	\$ 3.960	\$ 3.696	\$ 0.386	\$ 1.511
TRANSMISSION SERVICE								
Customer Charge	per account	\$ 38.84	\$ 24.80	\$ 2.75	\$ 1.55	\$ 1.74	\$ (37.10)	\$ (23.06)
Metering Charge	per meter	\$ 1,869.15	\$ 850.00	\$ 1,157.44	\$ 561.95	\$ 999.51	\$ (869.64)	\$ 149.51
Transmission System Charge	per 4CP	\$ 4.159	\$ 2.281	\$ 4.668	\$ 5.080	\$ 4.657	\$ 0.498	\$ 2.376
Distribution System Charge	per Billed kW	\$ 0.206	\$ 0.043	\$ 0.283	\$ 0.003	\$ 0.249	\$ 0.043	\$ 0.206

Revenues by rate class and number of customers are provided in the following table:

AEP TEXAS INC. SUMMARY OF REVENUES BY RATE CLASS

Rate Class Description	AEP TX Number of Customers	AEP TX Present Revenues	AEP TX Proposed Revenues	Revenue Change w/out Rider ITR	% Change w/out Rider ITR	Rider ITR	Revenue Change w/ Rider ITR	% Change w/ Rider ITR
Residential Service	876,553	\$ 478,051,710	\$ 506,224,177	\$ 28,172,467	5.9%	\$ (11,382,278)	\$ 494,841,899	3.5%
Secondary Service Less Than or Equal to 10 kW	89,158	\$ 33,924,128	\$ 27,614,375	\$ (6,309,753)	-18.6%	\$ (700,749)	\$ 26,913,627	-20.7%
Secondary Service Greater Than 10 kW	73,070	\$ 273,524,671	\$ 295,954,662	\$ 22,429,991	8.2%	\$ (6,303,560)	\$ 289,651,102	5.9%
Primary Voltage Service	1,045	\$ 70,027,981	\$ 76,832,472	\$ 6,804,492	9.7%	\$ (1,364,554)	\$ 75,467,918	7.8%
Transmission Voltage Service	85	\$ 30,420,295	\$ 35,820,956	\$ 5,400,661	17.8%	\$ (174,806)	\$ 35,646,150	17.2%
Lighting Service	2,301	\$ 21,769,668	\$ 24,347,960	\$ 2,578,292	11.8%	\$ (815,653)	\$ 23,532,307	8.1%
Retail Electric Delivery Revenues	1,042,212	\$ 907,718,453	\$ 966,794,603	\$ 59,076,150	6.5%	\$ (20,741,600)	\$ 946,053,003	4.2%
Wholesale Transmission Revenue		\$ 423,372,870	\$ 420,213,369	\$ (3,159,501)	-0.7%			
<i>Note: AEP Texas is proposing a one-time transmission credit of \$29 million associated with the TCJA.</i>								
Total Cost of Service		\$1,331,091,323	\$1,387,007,972	\$55,916,649	4.2%			
Retail Electric Delivery Revenue Change				\$ 59,076,150				
ITR Rider Credit				\$(20,741,600)				
Total Schedule I-A Reconciliation				\$38,334,550				

AEP Texas' Petition seeks a reduction to the Company's transmission cost of service of \$3.16 million and a combined rate for the two divisions. The result of AEP Texas' proposal is to change the wholesale transmission service rate from \$4.036612/kW for the Central Division and \$2.066591/kW for the North Division to \$6.058035/kW for AEP Texas combined.

In addition to new rates, AEP Texas requests a prudence determination on all capital investment made to its system for the period from June 30, 2006, through December 31, 2018.

AEP Texas' Petition also proposes to implement the ITR Rider that will be used to credit excess tax revenue resulting from the TCJA that has not yet been included in rates or refunded to customers. The total amount of income tax refund assigned to the retail delivery customers is \$83 million, to be refunded over a four-year period. AEP Texas is also proposing a one-time transmission credit of \$29 million associated with the effects of the TCJA.

AEP Texas' Petition seeks to reconcile its Advanced Metering System (AMS) deployment costs for the period from January 1, 2012 to December 31, 2018 (Reconciliation Period). Accounting for the actual costs, investment, and revenues associated with the Company's AMS deployment through the Reconciliation Period has resulted in Advanced Metering System Cost Recovery Factor Rider (AMSCRF) surcharge under-recoveries of \$30,157,739 (net of \$6,063,403 of cumulative interest expense) and \$12,923,589 (including \$283,307 of cumulative interest benefit) as of December 31, 2018, for the AEP Texas Central and North Divisions, respectively. In addition, AEP Texas proposes to eliminate the AMSCRF surcharge and roll future AMS capital expenditures and operations and maintenance costs into the base rates to be established in this case. AEP Texas will file a final AMS reconciliation to cover the time period from January 2019 through the final date the AMSCRF surcharge rider is billed prior to the implementation of new base rates from this proceeding.

AEP Texas' Petition requests Commission approval to continue its offering of facilities rental services, as described in tariff schedules 6.1.2.3.6, 6.1.3.3.6 and 6.1.4.3.6, for a period of three years commencing January 1, 2020.

AEP Texas' Petition seeks a determination that \$1,000,027 in rate case expenses incurred in prior dockets through February 2019 are reasonable for recovery. However, AEP Texas proposes to offset these rate case expenses collected with the \$302,051 over-collection that resulted from the rate case expense surcharge approved in Docket No. 34301. Therefore, AEP

Texas will seek actual recovery of \$697,976. AEP Texas is not requesting approval of the mechanism for recovery of these expenses in this docket. Instead, to recover these prior expenses, AEP Texas will seek recovery through the mechanism requested in the future docket opened to address the recovery of rate case expenses incurred in this case. For rate case expenses in this case, AEP Texas has provided an estimate of such expense, but proposes that the determination of the reasonableness of such expense and their recovery be determined in a separate future proceeding.

AEP Texas is proposing revisions to most tariffs. Specifically, the Company is requesting to: (1) terminate the AMSCRF, (2) reset the baseline for the Distribution Cost Recovery Factor Rider, (3) collect all transmission expenses through the Transmission Cost Recovery Factor Rider, (4) remove energy efficiency costs from base rates to recovery through the Rider Energy Efficiency Cost Recovery Factor, and (5) continue Central Division-specific riders including the Transition Cost riders (TC2 and TC3) and the Nuclear Decommissioning Rider (NDC).

AEP Texas' Petition affects all REPs in AEP Texas' service area, as well as the retail electric customers of those REPs. The extent to which the REPs pass along to their customers the increased retail rates is a function of the competitive market. In addition, AEP Texas' Petition affects customers taking service under the Company's wholesale transmission rates.

AEP Texas has requested a June 5, 2019 effective date for its proposed rate change.

Persons who wish to intervene in or common upon these proceedings, in Docket No. _____, *Application of AEP Texas Inc. for Authority to Change Rates*, should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P. O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136. The deadline for intervention in the proceeding is 45 days after the date the application was filed with the Commission.

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II-H-2 3	Model Variables	Burnett	provided in H-2 2				
II-H-3	Customer Adjustments	Aaron	not provided divisionally				
II-H-3 1	Customer Information	Aaron	not provided divisionally				
II-H-3 2	Customer Adjustments	Aaron	not provided divisionally				
II-H-3 3	Customer Adjustment Data	Aaron	not provided divisionally				
II-H-4	Revenue Impacts of Adjustments	Aaron					
II-H-4 1	Revenue Impact Data	Aaron	not provided divisionally				
II-H-4 2	Revenue Calculation Methodologies	Aaron	not provided divisionally				
II-H-5	Weather Data	Burnett					
II-H-5 1	Weather Station Data	Burnett	Schedule H-5 1 through H-5 3 TCD Test Year Weather Data			3206	5
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II-H-5 3	Additional Weather Information	Burnett	Schedule H-5 1 through H-5 3 TCD Test Year Weather Data			3218	5
Schedule I	Class Allocation						
II-I-1	Class Revenue Requirement Analysis (Form	Aaron	not provided divisionally				
II-I-2	Class Allocation Factors	Aaron	not provided divisionally				
II-I-3	Functionalized Cost-of-Service Analysts (Non ERCOT members)	N/A	Not Applicable				
Section III	ERCOT Wholesale Transmission Cost of Service (TCOS)						
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III-A	Summary of Wholesale Transmission Cost of Service (TCOS) (Form)	Hamlett	AEPTexas Central Div Filing Schedules TYE 12-31-18			3220	5
III-A-1	Summary of Total Cost of Service by Function (Form)	Hamlett	AEPTexas Central Div Filing Schedules TYE 12-31-18			3221	5
III-B	Rate Base by Function	Hamlett	AEPTexas Central Div Filing Schedules TYE 12-31-18			3222	5
III-E-5	Revenue Credits	Aaron	AEPTexas Central Div Filing Schedules TYE 12-31-18			3223	5
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IV-J-3	Rate Class Definition	Jackson	not provided divisionally				
IV-J-4	Load Research Data	Williams	Schedule IV-J-4 TCD Load Research Data			3224	5
IV-J-5	Billing Determinants	Jackson	not provided divisionally				
IV-J-6	Justification for Consumption Level-Based Rates	Jackson	not provided divisionally				
IV-J-7	Proof of Revenue Statement (Form)	Jackson	not provided divisionally				
IV-J-8	Rate Design Analysis Data	Jackson	not provided divisionally				
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V-K-1	Affiliate Expenses by FERC Account	Frantz	Schedule V-K-1A TCD Affiliate Expenses by FERC Account (AEPSC) Schedule V-K-1B TCD Affiliate Expenses by FERC Account (Other)			3237	5
V-K-2	Adjusted Affiliate Expenses	Frantz	Schedule V-K-2A TCD Adjusted Affiliate Expenses Schedule V-K-2B TCD Adjusted Affiliate Expenses Schedule V-K-2C TCD Adjusted Affiliate Expenses			3243	5
V-K-3	Organization Chart	Frantz	not provided divisionally				
V-K-4	Description of Services	Frantz	not provided divisionally				
V-K-5	Capital Projects	Frantz	not provided divisionally				
V-K-6	Adjustments to Test Year Expenses	Frantz	Schedule V-K-6A TCD Adjustments to Test Year Expenses Schedule V-K-6B TCD Adjustments to Test Year Expenses Schedule V-K-6C TCD Adjustments to Test Year Expenses			3249	5
V-K-7	Statutory Requirements	Frantz	Schedule V-K-7A TCD Statutory Requirements Schedule V-K-7B TCD Statutory Requirements			3257	5
V-K-8	Services Provided to Affiliates	Frantz	Schedule V-K-8 TCD Services Provided to Affiliates			3259	5
V-K-9	Allocation of Affiliate Costs	Frantz	not provided divisionally				
V-K-10	Controls	Frantz	not provided divisionally				
V-K-11	Affiliate Billing Method:	Frantz	not provided divisionally				
V-K-12	Amounts Billed to Each Affiliate	Frantz	not provided divisionally				
V-K-13	Affiliate Project Codes/Work Orders/Other Utility Terminology Created/Closed in Test Year	Frantz	not provided divisionally				
V-K-14	Affiliate Payroll	Frantz	Schedule V-K-14 TCD Affiliate Payroll			3269	5
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II-B-3	Communication Equipment (Form)	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3295	6
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II-B-5	Accumulated Depreciation (Form)	Hamlett/Cash	AEP Texas North Div Filing Schedules TYE 12-31-18			3298	6
II-B-6	Plant Held for Future Use (Form)	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3316	6
II-B-7	Accumulated Provision Balances (Form)	Hamlett/Kelly	AEP Texas North Div Filing Schedules TYE 12-31-18			3317	6
II-B-8	Materials and Supplies (Form)	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3319	6
II-B-9	Cash Working Capital (Form)	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3322	6
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II-B-12	Regulatory Assets (Form)	Hamlett/Kelly	AEP Texas North Div Filing Schedules TYE 12-31-18			3329	6
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II-C-1.1	Rate of Return Method	Hawkins	AEP Texas North Div Filing Schedules TYE 12-31-18			3334	6
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II-C-2.3	Weighted Average Cost of Preferred Trust Securities (Form)	Hawkins	AEP Texas North Div Filing Schedules TYE 12-31-18			3338	6
II-C-2.3a	Adjusted Cost of Preferred Trust Securities (Form)	Hawkins	AEP Texas North Div Filing Schedules TYE 12-31-18			3339	6
II-C-2.4	Weighted Average Cost of Long-Term Debt (Form)	Hawkins	AEP Texas North Div Filing Schedules TYE 12-31-18			3340	6
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II-C-2.7	Capital Requirements and Acquisition Plan (Form)	Hawkins	not provided divisionally				
II-C-2.8	Financial Ratios (Form)	Hawkins	AEP Texas North Div Filing Schedules TYE 12-31-18			3346	6
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II-C-2.10	Rating Agency Reports	Hawkins	not provided divisionally			3350	6
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II-D-2	A&G Expenses (Form)	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3399	6
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II-D-3.2	Regular and Overtime Payroll by Function	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3564	6
II-D-3.3	Functionalized Regular Payroll by Category	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3567	6
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II-D-3.7	General Employee Benefit Information	Cooper	not provided divisionally				6
II-D-3.8	Pension Expense	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3573	6
II-D-3.9	Postretirement Benefits Other Than Pension	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3574	6
II-D-3.10	Administration Fees	Cooper	Schedule II-D-3-10-1 TND Administration Fees (Attachment 1)			3575	6
II-D-3.10	Administration Fees	Cooper	not provided divisionally				
II-D-4	Summary of Exclusions from Test Year (Form)	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3576	6
Schedule E	Other Items						
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II-E-2	Taxes Other Than Federal Income Taxes (Form)	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3590	6
II-E-2.1	Ad Valorem Taxes & Plant Balances	Hamlett	AEP Texas North Div Filing Schedules TYE 12-31-18			3591	6
II-E-3	Federal Income Taxes (Form)	Kelly	AEP Texas North Div Filing Schedules TYE 12-31-18			3592	6
II-E-3.1	Reconciliation of Test Year Book Net Income to Taxable Net Income	Kelly	AEP Texas North Div Filing Schedules TYE 12-31-18			3594	6
II-E-3.1 WP	Reconciliation of Test Year Book Net Income to Taxable Net Income - Workpapers	Kelly	HS WP Schedule II-E-3.1 2017 AEP TEXAS North Distribution HS WP Schedule II-E-3.1 2017 AEP TEXAS North Transmission	YES	YES		
II-E-3.2	Reconciliation of Timing Differences	Kelly	AEP Texas North Div Filing Schedules TYE 12-31-18			3605	6
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II-E-3 14	FERC Account 255 Balance	Kelly	AEP Texas North Div Filing Schedules TYE 12-31-18			3677	6
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II-G-1	Status of Nuclear Decommissioning Funds	Hamlett	Not Applicable			3714	6
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II-H-1	Summary of Test Year Adjustments	Aaron	not provided divisionally				
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II-H-1 3	Unadjusted Test Year Load Data	Williams	Schedule II-H-1 3 TND Unadjusted Test Year Load Data			3715	6
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II-H-2 1	Model Information	Burnett			YES		
HS II-H-2.1	Model Information	Burnett	HIGHLY SENSITIVE Schedule II-H-2 1 TND Large Industrial Model Statistics ST	YES	YES		
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II-H-2 2	Model Data	Burnett			YES		
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II-H-3	Customer Adjustments	Aaron	not provided divisionally				
II-H-3 1	Customer Information	Aaron	not provided divisionally				
II-H-3 2	Customer Adjustments	Aaron	not provided divisionally				
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IV-J-5	Billing Determinants	Jackson	not provided divisionally				
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V-K-4	Description of Services	Frantz	not provided divisionally				
V-K-5	Capital Projects	Frantz	not provided divisionally				
V-K-6	Adjustments to Test Year Expenses	Frantz	Schedule V-K-6A TND Adjustments to Test Year Expenses Schedule V-K-6B TND Adjustments to Test Year Expenses Schedule V-K-6C TND Adjustments to Test Year Expenses			3771	6
V-K-7	Statutory Requirements	Frantz	Schedule V-K-7A TND Statutory Requirements Schedule V-K-7B TND Statutory Requirements			3779	6
V-K-8	Services Provided to Affiliates	Frantz	Schedule V-K-8 TND Services Provided to Affiliates			3782	6
V-K-9	Allocation of Affiliate Costs	Frantz	not provided divisionally				
V-K-10	Controls	Frantz	not provided divisionally				
V-K-11	Affiliate Billing Methods	Frantz	not provided divisionally				
V-K-12	Amounts Billed to Each Affiliate	Frantz	not provided divisionally				
V-K-13	Affiliate Project Codes/Work Orders/Other Utility Terminology Created/Closed in Test Year	Frantz	not provided divisionally				
V-K-14	Affiliate Payroll	Frantz	Schedule V-K-14 TND Affiliate Payroll			3787	6
Section VI	Other Schedules						
Schedule L	Transmission and Distribution Utility Customer Service		Not Applicable			3793	6
Section VII	Confidentiality		See Appendix B to the Petition				

PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF

AEP TEXAS INC.

FOR AUTHORITY TO CHANGE RATES

DIRECT TESTIMONY OF

JUDITH E. TALAVERA

FOR

AEP TEXAS INC.

MAY 2019

TESTIMONY INDEX

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EXHIBITS

<u>EXHIBITS</u>	<u>DESCRIPTION</u>
EXHIBIT JET-1	AEP Texas Witnesses - 2019 Texas Base Rate Case

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Judith E. Talavera. My business address is 539 N. Carancahua, Corpus
4 Christi, Texas 78401.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am President and Chief Operating Officer of AEP Texas Inc. (AEP Texas or the
7 Company). AEP Texas is a transmission & distribution (T&D) utility and a wholly
8 owned subsidiary of American Electric Power Company, Inc. (AEP). AEP Texas
9 operates exclusively within the borders of the Electric Reliability Council of Texas
10 (ERCOT).

11 Q. WHAT ARE YOUR RESPONSIBILITIES AS PRESIDENT AND CHIEF
12 OPERATING OFFICER OF AEP TEXAS?

13 A. I oversee the distribution operations of AEP Texas which, through its North and Central
14 Divisions,¹ serves more than a million meters in south and west Texas. I also oversee
15 the Company's safety, customer services, communications, community affairs,
16 governmental affairs, and regulatory functions. In addition, although the AEP Texas
17 Transmission Organization is managed on an AEP enterprise-wide functional basis, I
18 oversee financial matters concerning that organization's support of AEP Texas.

19 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND JOB
20 EXPERIENCE.

¹ AEP Texas' North and Central Divisions were formerly two separate AEP utility operating companies known as AEP Texas North Company (TNC) and AEP Texas Central Company (TCC), respectively. The Commission approved the merger of the two companies by its December 12, 2016 Order in Commission Docket No. 46050. The merger was effective December 31, 2016.

1 A. I received a Bachelor of Journalism from the University of Texas at Austin in 1996.
2 Before joining AEP, I spent nearly eight years in the public policy arena working for a
3 state senator from the Houston area. In 2000, AEP hired me as a Manager of
4 Government Affairs in their Texas State Office. In 2008, I became Director of
5 Regulatory Services for AEP Texas.² In June 2016, I was promoted to my current
6 position as President and Chief Operating Officer of AEP Texas.

7 Q. WHO ARE YOU TESTIFYING ON BEHALF OF IN THIS PROCEEDING?

8 A. I am testifying on behalf of AEP Texas Inc.

9 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITY
10 COMMISSION OF TEXAS (COMMISSION)?

11 A. Yes, I testified before the Commission in Docket No. 46050, *Application of AEP Texas*
12 *Central Company, AEP Texas North Company, and AEP Utilities, Inc. for Approval of*
13 *Merger*, Docket No. 46368, *Application of AEP Texas North Company for Regulatory*
14 *Approvals Related to the Installation of Utility-Scale Battery Facilities*, and Docket
15 No. 48577, *Application of AEP Texas Inc. for Determination of System Restoration*
16 *Costs*.

17

18 II. PURPOSE OF TESTIMONY AND FILING

19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20 A. My direct testimony supports the Company's request for authority to change rates by
21 providing an overview of the relief requested, introducing the other witnesses and

² At that point, "AEP Texas" was the brand name for the jointly managed operations of TCC and TNC, prior to the Commission's approval of their merger.

1 providing a brief description of the subject matters in their testimony and introducing
2 and discussing some of the more significant policy issues raised in the filing. My
3 discussion highlights some of the important changes in the Company's operations and
4 services since its existing rates were set approximately twelve years ago.

5 Q. WHY IS AEP TEXAS FILING THIS CASE AT THIS TIME?

6 A. There are several reasons AEP Texas is filing this case. The State of Texas is fortunate
7 to have a dynamic and diverse economy and much of the economic growth has been
8 taking place throughout the AEP Texas service territory. New and existing businesses
9 find an attractive environment for growth and investment, which has required AEP
10 Texas to make significant investments in its transmission and distribution (T&D)
11 system to support the expanding economy and the electric service needs of an
12 increasing population. Providing safe and reliable electricity is AEP Texas' mission
13 and the continued growth in Texas, as well as the need to upgrade and maintain the
14 existing T&D infrastructure, has resulted in AEP Texas' investment of nearly \$6 billion
15 in its T&D system since the last rate case. As explained by AEP Texas witness Thomas
16 Coad, distribution investment is attributable largely to growth in the AEP Texas service
17 area, driven particularly by the boom in the oil and gas industry associated with shale-
18 related exploration and production. As explained by AEP Texas witness Wayman
19 Smith, transmission improvements range from upgrading existing circuits to
20 installation of new substations and the associated transmission lines needed to maintain
21 reliable service. Further, AEP's distribution and transmission systems continue to age,
22 which necessitates additional maintenance and targeted replacement of equipment. I
23 will address this investment in more detail later in my testimony.

1 Second, filing a comprehensive rate case will allow AEP Texas to realign its
2 rates to be consistent with the changes that have taken place in the Company's customer
3 classes over the last 12 years. For instance, some customer classes have grown
4 significantly while others have decreased in size, which has resulted in a mismatch of
5 revenues collected from customer classes relative to the costs to serve those customers.
6 Resetting rates will realign rates with the current existing customer base.

7 Third, as I discuss below, the Company is proposing AEP Texas-wide rates for
8 AEP Texas, as contemplated in Docket No. 46050, where the Commission approved
9 the merger of AEP Texas North Company and AEP Texas Central Company into AEP
10 Texas. Additionally, as discussed by AEP Texas witness Jennifer Jackson, the
11 Company needs to 1) terminate the Advanced Metering System Cost Recovery Factor
12 Rider (AMSCRF), 2) reset the baseline for the Distribution Cost Recovery Factor Rider
13 (DCRF), 3) determine the revenue requirement for the Transmission Cost Recovery
14 Factor Rider (TCRF), and 4) move energy efficiency costs from base rates to Rider
15 Energy Efficiency Cost Recovery Factor (EECRF). Also, this rate filing will provide
16 the opportunity to modify or discontinue tariffs that are now outdated in light of current
17 circumstances.

18 Finally, the timing of this filing fits with the Commission's Rate Review
19 Schedule rule (16 Tex. Admin. Code (TAC) § 25.247), which requires AEP Texas to
20 file a comprehensive rate case on or before May 1, 2019, subject to extensions that AEP
21 Texas does not seek to invoke.

1 III. AEP TEXAS OVERVIEW

2 Q. PLEASE DESCRIBE AEP TEXAS.

3 A. AEP Texas is connected to and serves more than one million electric consumers in the
4 restructured Texas marketplace. It is headquartered in Corpus Christi, with regulatory
5 and external affairs offices in Austin. Major cities served include Abilene, Corpus
6 Christi, Harlingen, Laredo, McAllen, San Angelo, Vernon, and Victoria. As an energy
7 delivery (wires) company, AEP Texas delivers electricity safely and reliably to homes,
8 businesses, and industries across its nearly 100,000 square mile service territory in
9 south and west Texas. AEP Texas also maintains and repairs its lines, reads electric
10 meters, and handles connections and disconnections as directed by the Retail Electric
11 Providers (REPs) selling electricity to end-use customers.

12 Q. WILL YOU PLEASE DESCRIBE AEP TEXAS' SUPPORT FOR ITS
13 COMMUNITIES?

14 A. AEP Texas employees are connected to their local Texas communities and actively
15 involved in many civic organizations, helping to make their communities better places
16 to live, work and play. In addition, AEP Texas makes significant contributions annually
17 to teach electrical safety, improve education and health, and support community and
18 economic vitality in the areas we serve. The Company is a financial supporter of non-
19 profit organizations whose focus is improving quality of life. AEP Texas is proud to
20 be a partner in education – through workshops, initiatives and educational resources –
21 to thousands of teachers and students, particularly in grades pre-K to 12, with a focus
22 on Science, Technology, Engineering, and Math (STEM). Through our economic

1 development efforts and in partnership with the communities we serve, AEP Texas
2 strives to make certain our service territory remains vibrant and strong.

3 Q. PLEASE DESCRIBE AEP, AEPSC, AND THE SERVICES AEPSC PROVIDES TO
4 AEP TEXAS FOR THE BENEFIT OF CUSTOMERS

5 A. AEP Texas is part of the American Electric Power system, collectively one of the
6 largest electric utilities in the United States, delivering electricity to more than five
7 million customers in eleven states. AEP's utility units operate as AEP Texas,
8 Southwestern Electric Power Company (in Texas, Louisiana, and Arkansas), Public
9 Service Company of Oklahoma, AEP Ohio, Appalachian Power (in Virginia, West
10 Virginia, and Tennessee), Indiana Michigan Power, and Kentucky Power. Shared
11 services are provided to AEP Texas and the other AEP operating companies through
12 the American Electric Power Service Corporation (AEPSC).

13 AEPSC, a wholly owned subsidiary of AEP, provides utility support services
14 such as engineering, financial, human resource, and accounting services, at cost, for all
15 operating units within the AEP system. AEP Texas and the other AEP operating
16 companies benefit from economies of scale through the use of services provided by
17 AEPSC. The use of AEPSC eliminates the need to maintain a separate and independent
18 organizational structure and information technology systems for these services within
19 AEP Texas and allows for the availability of subject matter experts to serve all AEP
20 operating companies. Company witnesses Brian J. Frantz and Patrick L. Baryenbruch
21 discuss the AEPSC services and billings in more detail. Additionally, individual
22 Company witnesses support the reasonableness and necessity of various classes of
23 AEPSC charges to AEP Texas.

1 Q. PLEASE INTRODUCE THE OTHER AEP TEXAS WITNESSES.

2 A. EXHIBIT JET-1 to this testimony identifies each AEP Texas witness and provides a
3 brief description of the subject matters covered by that testimony.

4

5 IV. AEP TEXAS GROWTH AND INVESTMENT

6 Q. PLEASE DESCRIBE THE INVESTMENTS THAT AEP TEXAS HAS MADE IN
7 ITS DISTRIBUTION AND TRANSMISSION SYSTEMS OVER THE PREVIOUS
8 TWELVE YEARS.

9 A. AEP Texas has invested nearly \$6 billion in its T&D system for the benefit of
10 customers since the close of the previous test year. There are two main drivers for the
11 increased capital investment – customer growth and an aging infrastructure in need of
12 upgrades and replacements to provide the reliable and resilient electric service
13 necessary to meet customers’ expectations. Over the last decade, significant
14 investment in the AEP Texas T&D infrastructure throughout the service territory has
15 been needed to help support the growing Texas economy. The Rio Grande Valley and
16 Laredo have consistently been two of the fastest growing areas of the state. When oil
17 field related activity in the well-known “Eagle Ford” shale production area began
18 around the year 2011, AEP Texas saw tremendous growth in areas that had been
19 stagnant for years. Similarly, the oil and gas related activity in west Texas around the
20 Permian Basin and Cline areas also required a significantly higher level of investment
21 to serve the increasing demand for electric service. The port areas of the state served
22 by AEP Texas also have experienced continued growth and expansion, particularly
23 relating to liquefied natural gas (LNG) facilities and petrochemical investments. The

1 Company's additional T&D investment supports not only the new and expanding oil
2 and gas businesses, but also the communities that benefit from the increased need for
3 housing, schools and commercial needs that must be met.

4 To support the efficient and effective provision of T&D services to its
5 customers, the Company constructed new service centers in Alice, Corpus Christi,
6 Hebbronville, Los Fresnos, San Benito, and San Angelo, while a new Transmission
7 Operations Control Center was built in Corpus Christi.

8 AEP Texas' investment in the distribution system is further addressed in the
9 testimony of AEP Texas witness Coad. AEP Texas witness Wayman Smith addresses
10 the investment in the transmission system in further detail in his testimony.

11 Q. HAS AEP TEXAS TAKEN STEPS TO ADDRESS RELIABILITY
12 REQUIREMENTS AND STORM HARDENING?

13 Yes. Storm hardening also has been a significant driver for capital investment. While
14 it is important to provide safe and reliable service to end use customers, it is equally
15 important to invest in a system that is resilient. Two hurricanes made landfall in the
16 AEP Texas service territory during the last decade or so, along with numerous storms,
17 and those experiences highlight the importance of investing in a system that can
18 withstand major events or recover in a timely manner to continue providing service to
19 those who depend on us. Similarly, components of the Company's T&D system must
20 be continually maintained, updated or replaced to meet reliability requirements and
21 customers' expectations.

22 Q. DOES AEP TEXAS PLAN CONTINUED INVESTMENT IN THE AEP TEXAS
23 ELECTRIC GRID?

1 A. Yes. AEP Texas plans to continue its high level of investment to improve service to
2 its customers. The Company's investment plans include a grid modernization program
3 that will provide benefits to the end-use consumer and increased efficiencies to the
4 company. Additionally, AEP Texas continues to experience significant growth
5 throughout its service territory and the growing demand for service requires the
6 Company to invest in its transmission and distribution system at a level that will meet
7 customers' needs.

8 Q. WHAT TYPE OF INVESTMENTS DOES AEP TEXAS ANTICIPATE GOING
9 FORWARD?

10 A. AEP Texas has deployed and intends to continue to deploy innovative technology, and
11 it continues to seek out fresh ideas to modernize its electric grid. These initiatives,
12 through its grid modernization program, include a smarter, self-healing grid and
13 smarter street lights. Continued investment will allow the Company to maintain and
14 expand a flexible grid that can adapt to distributed generation and intermittent
15 renewable generation resources. The fact is that AEP Texas, similar to other utilities
16 across the nation, must address the challenges posed by an aging electric grid. The
17 Company installed a growing portion of its current distribution line and distribution
18 substation components 40 to 80 years ago. AEP Texas' Grid Modernization Program
19 will improve system resiliency by reducing the length of outages and limiting sustained
20 outages to smaller numbers of customers and is discussed further by AEP Texas witness
21 Coad.

1 V. AEP TEXAS MERGER

2 Q. PLEASE DESCRIBE THE AEP TEXAS MERGER APPROVED BY THE
3 COMMISSION IN DOCKET NO. 46050.

4 A. At the time the Company's existing rates were set in Docket Nos. 33309 and 33310,
5 AEP Texas consisted of two separate corporate entities, AEP Texas Central Company
6 (TCC) and AEP Texas North Company (TNC). TCC and TNC were separate
7 transmission and distribution utilities (TDUs) operating in ERCOT. However, these
8 companies were managed and operated as a single business under the brand name "AEP
9 Texas." In Docket No. 46050, TCC and TNC sought and received the approval of the
10 Commission to merge into their immediate parent company and change its name to
11 AEP Texas Inc. (AEP Texas). In essence, the merger aligned the legal structure of
12 AEP Texas with its then-existing organization and operation as a single business. After
13 the merger, as ordered by the Commission, AEP Texas established the TCC and TNC
14 "divisions" within the merged utility and continued to maintain separate rates, riders,
15 and tariff manuals for the Central and North divisions. In other words, the then-existing
16 TCC and TNC base rates did not change but, instead, remained in force for customers
17 taking service within the Company's two divisions. AEP Texas has maintained
18 separate accounting ledgers for the Central and North divisions that allow costs to be
19 accounted for and rates to be maintained separately for each division.

20 Q. WERE THERE MERGER CREDIT PROVISIONS ORDERED BY THE
21 COMMISSION IN DOCKET NO. 46050?

22 A. Yes. The Commission required AEP Texas to provide merger credits to customers
23 associated with an expected reduction in debt issuance costs each year from the date of

1 the merger until the effective date of its next base-rate proceeding. Upon the
2 establishment of new rates as a result of this filing, the merger savings provisions will
3 expire and cease to operate. The expiration of the Docket No. 46050 merger credits is
4 discussed further in the direct testimony of AEP Texas witness Renee Hawkins.

5 Q. WERE THERE ADDITIONAL CONDITIONS ASSOCIATED WITH THE
6 MERGER?

7 A. Yes. The Commission found that it was appropriate for AEP Texas to maintain
8 separate divisional base rates, DCRFs, EECRFs, TCOS factors, and other rates until
9 such time that the Commission considers and approves rate consolidation. The
10 Commission further required AEP Texas to file a proposal for setting AEP Texas-wide
11 rates, along with an underlying study and supporting data, four months prior to filing a
12 case proposing AEP Texas consolidated rates with the Commission.

13 Q. IS THE COMPANY PROPOSING CONSOLIDATED RATES IN THIS
14 PROCEEDING AND HAS THE COMPANY FILED THE REQUIRED STUDY AND
15 SUPPORTING DATA?

16 A. Yes. The Company is proposing consolidated rates and, on December 21, 2018, filed
17 the required study and supporting data. The policy support for the Company's proposal
18 for consolidated rates is discussed below, while ratemaking details and impacts are
19 addressed in the testimony of AEP Texas witness Jackson.

1 VI. CONSOLIDATED RATE PROPOSAL

2 Q. PLEASE INTRODUCE AND DESCRIBE THE COMPANY'S CONSOLIDATED
3 RATE PROPOSAL.

4 A. AEP Texas proposes to establish AEP Texas-wide consolidated rates. As discussed
5 above, AEP Texas and its two divisions have been operating as a single business for
6 the benefit of customers for more than a decade. The reality is that the AEP Texas
7 system is operated as a single system serving all its customers, rendering the allocation
8 of cost on a divisional basis an outdated practice. Company-wide rates is the norm for
9 TDUs operating in ERCOT. Consolidated rates are a natural progression from the
10 foundation laid by the Commission's approval of the AEP Texas merger and support
11 more efficient administration and regulation of AEP Texas rates.

12 With this filing, the Company submits a cost of service study that combines
13 Central and North Division costs. The Company also presents a combined set of billing
14 determinants for the purpose of establishing a single set of AEP Texas base rates, based
15 on the adjusted test year data and other applicable facts and circumstances. The
16 Company's consolidated rates proposal includes consolidation of transmission service,
17 distribution service, and customer and metering service rates for all rate classes.
18 Consolidated rates are more easily achievable because both Divisions have the same
19 customer rate classes, rate classifications, and types of billing determinants for recovery
20 of functionalized costs. AEP Texas' proposal includes one set of rates for all rate
21 classes with limited exceptions, including Transition Charges (TC) and Nuclear
22 Decommissioning Charges for customers in the certificated service area previously
23 served by AEP Texas Central Company.

1 If the Commission approves consolidated rates in this case, future Transmission
2 Cost of Service, Transmission Cost Recovery Factor, Energy Efficiency Cost Recovery
3 Factor, and Distribution Cost Recovery Factor updates will be filed on an AEP Texas-
4 wide basis. However, the Company has provided divisional cost information in its
5 filing in the event that the Commission decides that a continuation of divisional rates
6 is appropriate. Divisional information is provided by several Company witnesses and
7 addressed more generally by Company witness Randall Hamlett.

8 Q. PLEASE DESCRIBE THE CUSTOMER RATE IMPACT OF THE COMPANY'S
9 CONSOLIDATED RATE PROPOSAL.

10 A. In most cases, the impact on customers' rates of the Company's consolidated rate
11 proposal is relatively modest. In general, under the Company's consolidated rate
12 proposal, Central Division customers will see a slight increase in rates, and North
13 Division customers will see a relatively small decrease, as a result of consolidated rates.
14 The customer rate impact of the Company's consolidated rate proposal is further
15 discussed by AEP witness Jackson.

16 It should be further noted that there are rate impacts that will occur regardless
17 of rate consolidation between the Divisions. Each Division's class customer count,
18 class distribution billing determinant (kWh and kW) data, and allocation statistics have
19 changed, and relationships among the classes have shifted, since the time base rates
20 were last established in cases that used a test year period ending June 2006. These
21 shifts, and their impact on AEP Texas cost allocation and rate design, are wholly
22 independent of the proposed rate consolidation. In other words, these shifts will occur

1 regardless of rate consolidation between the Divisions. These impacts are further
2 discussed in the testimony of AEP Texas witness Jackson.

3
4 VII. REQUESTED RATE RELIEF

5 Q. PLEASE DESCRIBE THE RATE INCREASE REQUESTED IN THIS FILING.

6 A. As discussed by AEP Texas witness Randall Hamlett, related to its distribution cost of
7 service, the Company requests a rate increase of approximately \$38.3 million over its
8 adjusted test year revenues, an increase of 4.2%. Related to its transmission cost of
9 service, the Company requests a rate decrease of \$3.16 million below its adjusted test
10 year revenues, a decrease of 0.7%.

11 Q. IS THE DISTRIBUTION COST OF SERVICE INCREASE IDENTIFIED ABOVE
12 NET OF THE PROPOSED INCOME TAX REFUND RIDER?

13 A. Yes. As explained by AEP Texas witness Hamlett, the Company proposes an Income
14 Tax Refund (ITR) Rider that refunds the difference between revenues collected under
15 existing rates and the revenues that would have been collected under the new, lower
16 federal income tax rates. The ITR also returns to customers amounts associated with
17 Accumulated Deferred Federal Income Taxes (ADFIT). The distribution cost of
18 service increase identified above is net of a nearly \$21 million per year (for four years)
19 ITR credit.

20 Q. WHAT IS THE EFFECT OF THIS RATE REQUEST ON AEP TEXAS'
21 CUSTOMERS AS COMPARED TO EXISTING RATES?

22 A. As calculated by AEP Texas witness Jackson, the impact of the retail transmission and
23 distribution rate change on a residential customer in the Company's Central Division

1 using 1,000 kilowatt-hours ("kWh") per month would be an increase of approximately
2 \$4.75 or 9.8% per month (including the effect of the proposed Income Tax Refund
3 Rider). A customer with a retail plan that charges 12.5 cents per kWh would see their
4 rate go to 12.97 cents per kWh, or a 3.8% increase in their total bill, if the REP passes
5 through the rate change. The impact of the retail transmission and distribution rate
6 change on a residential customer in the Company's North Division using 1,000
7 kilowatt-hours ("kWh") per month would be a decrease of approximately \$5.01 or -
8 10.6 % per month. A customer with a retail plan that charges 12.5 cents per kWh would
9 see their rate decrease to 12.0 cents per kWh, or a 4.0% decrease in their total bill, if
10 the REP passes through the rate change.

11 Q. WILL CUSTOMERS IN THE CENTRAL DIVISION RECEIVE A RATE
12 REDUCTION IN 2020 THAT WILL OFFSET THE INCREASE DESCRIBED
13 ABOVE?

14 A. Yes. Customers in the Central Division are currently charged amounts associated with
15 stranded costs called Transition Charges (TC). Two TC charges remain in effect – TC2
16 and TC3. As explained by AEP Texas witness Jackson, in October 2020, the TC2
17 Rider ends and, as a result, every customer class in the Central Division will show an
18 overall decrease in AEP Texas charges even with the total base rate change requested
19 in this case. The TC2 Rider ending represents a monthly bill reduction of \$8.35 for an
20 average 1,000 kWh/month Central Division residential customer.

1 VIII. REQUEST FOR ADDITIONAL FUNDS DEDICATED TO SERVICE
2 QUALITY IMPROVEMENTS

3 Q. IS AEP TEXAS REQUESTING ADDITIONAL FUNDS THAT WILL BE
4 DEDICATED TO IMPROVING AEP TEXAS' SERVICE TO ITS CUSTOMERS?

5 A. Yes. The Company is requesting funds in addition to those incurred during the Test
6 Year to expand its vegetation management program. A robust vegetation management
7 program is critical to maintaining the reliability of the Company's distribution system
8 and serving our customers. AEP Texas is proposing a total annual vegetation
9 management spend of \$16.2 million. This is an increase of \$5 million over the \$11.2
10 million in vegetation management expenses in the test year. In addition to providing
11 improved reliability on targeted circuits, the increased level of vegetation management
12 spend will provide for a level of tree trimming necessary to replace aging infrastructure
13 as a part of the AEP Texas grid modernization plan. This proposal is further discussed
14 by AEP Texas witness Coad.

15
16 IX. ADDITIONAL RATESETTING POLICY ISSUES

17 Q. WHAT DOES THE COMPANY PROPOSE IN REGARD TO COST RECOVERY
18 FOR INCENTIVE COMPENSATION PAID TO EMPLOYEES?

19 A. The Company is aware of Commission precedent that does not allow a utility to recover
20 from customers incentive compensation paid to employees for meeting Company
21 financial goals. As explained by AEP Texas witness Andrew Carlin, AEP Texas'
22 incentive compensation program is not a "bonus" on top of market-competitive pay.
23 Instead, it is a necessary component to achieve market-competitive pay for employees.

Therefore, there is reasonable grounds for the Commission to reconsider that precedent. Further, it is my understanding that legislation is pending before the Texas Legislature that may allow for a different outcome despite that precedent. Therefore, AEP Texas requests recovery of all compensation, including incentive compensation, that is shown by the Company to be paid at a reasonable and market-competitive level. The Company's request is further discussed in the testimony of AEP Texas witness Carlin.

Q. IS THE COMPANY AWARE OF THE COMMISSION'S PREVIOUS FINDING REGARDING THE AEP ACCOUNTING POLICY FOR CAPITALIZATION OF FORESTRY COSTS?

A. Yes. In Docket No. 46449, the Commission found that the AEP accounting policy for capitalization of forestry costs is inconsistent with the instructions to the Federal Energy Regulatory Commission's Uniform System of Accounts. As explained by AEP Texas witness Hamlett, AEP Texas does not agree with this finding or that it should be applied to AEP Texas. Nonetheless, Mr. Hamlett proposes an implementation of that finding that properly matches forestry costs and revenues.

X. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

AEP Texas Witnesses 2019 Texas Base Rate Case			
	Subject	Witness	Description of Testimony
1.	Policy and Overview	Judith E. Talavera	Ms. Talavera presents the AEP Texas rate case application and provides an overview of the filing. Specifically, she provides an overview of AEP Texas and the cost elements that encompass the base rate increase request.
2.	Policy, Affiliate Expenses and Rate Case Expenses	Leigh Anne Strahler	Ms. Strahler introduces proposals for regulatory programs supported by various witnesses. Ms. Strahler also discusses AEP Texas affiliate expenses related to legal, regulatory, and environmental services and supports AEP Texas' rate case expenses.
3.	Cost of Service, Rate Base, Pro Forma Accounting Adjustments	Randall Hamlett	Mr. Hamlett presents AEP Texas' requested total company cost of service and associated RFP schedules. He describes various pro forma accounting adjustments.
4.	Catastrophe Reserve	Greg Wilson	Mr. Wilson discusses AEP Texas' approach to the use of a Catastrophe Reserve.
5.	Lead-Lag Study	Jay Joyce	Mr. Joyce sponsors the results of the lead-lag study for measuring the cash working capital allowance required for AEP Texas' operations.
6.	Cost of Common Equity	Robert Hevert	Mr. Hevert presents his recommended return on equity.
7.	Capital Structure and Overall Cost of Capital and Factoring	Renee Hawkins	Ms. Hawkins supports the calculations of AEP Texas' cost of debt as well as AEP Texas' overall capital structure. She discusses AEP Texas' financial condition.
8.	Capital Structure and Factoring	Steve Fetter	Mr. Fetter discusses AEP Texas' requested capital structure.
9.	Service Reliability, Affiliate Distribution Costs, Distribution Capital Additions	Thomas Coad	Mr. Coad discusses AEP Texas' performance with respect to various reliability and quality of service measures. He also supports the reasonableness and necessity of AEP Texas' overall and affiliate O&M costs for distribution services, as well as distribution capital additions.
10.	Overall and Affiliate Transmission O&M Costs	Dan Boezio	Mr. Boezio discusses AEP's transmission organization and operations. He supports AEP Texas' overall and affiliate O&M costs for transmission services.
11.	Transmission Capital Additions	Wayman Smith	Mr. Smith supports AEP Texas' transmission capital additions.

AEP Texas Witnesses 2019 Texas Base Rate Case			
	Subject	Witness	Description of Testimony
12.	Customer Service Metrics, Overall and Affiliate Customer Service O&M Costs	Joel Murphy	Mr. Murphy discusses the AEP Texas and AEPSC customer services organizations and discusses AEP Texas' quality of customer service. He also supports the reasonableness and necessity of AEP Texas' overall and affiliate O&M costs for customer services.
13.	AEP Texas External Affairs and Corporate Communications, Affiliate External Affairs and Corporate Communications O&M Costs, Advertising, Contributions and Memberships	Gilbert Hughes	Mr. Hughes discusses AEP Texas' External Affairs and Corporate Communications organization(s) and the services they provide. He also discusses AEPSC's External Affairs and Corporate Communications organizations and demonstrates the reasonableness and necessity of the affiliate charges billed to AEP. He supports the advertising costs, contributions and membership dues requested in this case.
14.	AMS Reconciliation	Jeff Stracener	Mr. Stracener discusses AEP Texas' AMS reconciliation and implementation of the approved AMS Deployment Plan.
15.	AMS Reconciliation Accounting	Heather Whitney	Ms. Whitney discusses the accounting for the actual costs, investment, and revenues associated with the deployment of AMS during the reconciliation period.
16.	Depreciation	Jason Cash	Mr. Cash discusses the depreciation study overview, the study methods and procedures, and the study results.
17.	Federal and State Income Taxes, Tax-Related Adjustments and Consolidated Tax Savings	Michael Kelly	Mr. Kelly discusses AEP Texas' Federal Income Taxes included in its cost of service and describes the RFP's tax schedules. He also addresses the impact of the 2017 Tax Cuts and Jobs Act.
18.	AEPSC and Affiliate Transactions	Brian Frantz	Mr. Frantz discusses AEPSC and the corporate support services it provides. He describes AEPSC's internal controls, billing and cost allocation methods, and how they assure that AEP Texas is charged reasonable and necessary costs for affiliate services. He also provides supporting testimony regarding the reasonableness and necessity of the Chief Financial Officer, Chief Executive Officer, Internal Support, and AEPSC Incentives classes of AEPSC affiliate costs. He explains the particular allocation factors used to bill the various affiliate classes of cost to AEPSC, to support the conclusion that AEP Texas is charged affiliate costs by AEPSC that are no higher than those billed to other AEP affiliates.

AEP Texas Witnesses 2019 Texas Base Rate Case			
	Subject	Witness	Description of Testimony
19.	Necessity of AEPSC Services and Charges, AEPSC Budgeting Processes, and Cost Allocation	Patrick Baryenbruch	Mr. Baryenbruch presents an assessment of the reasonableness and necessity of the services provided to AEP Texas by AEPSC, and the associated costs. This assessment includes review of the necessity and benefit of AEPSC services, the appropriateness of AEPSC allocation factors, and the reasonableness of AEPSC and AEP Texas costs.
20.	Human Resources Organization and Affiliate Charges	Tracy Elich	Ms. Elich discusses the services of the AEPSC Human Resources Department. She supports the reasonableness and necessity of the Human Resource Department affiliate charges to AEP Texas.
21.	Employee Benefit Plans	Curt Cooper	Mr. Cooper describes and supports the reasonableness of the benefit plans for AEP Texas and AEPSC employees.
22.	Employee Compensation	Andrew Carlin	Mr. Carlin describes the reasonableness and market competitiveness of the AEP compensation plan and the salary and incentive compensation levels for AEP Texas and AEPSC, and supports a pro forma adjustment made by Mr. Hamlett for base pay increases effective in 2019.
23.	Supply Chain, Fleet and Procurement Affiliate Charges	Jon Burns	Mr. Burns describes the services provided by the AEP Supply Chain, Fleet and Procurement organizations. He supports the reasonableness and necessity of AEP Texas' costs for these services.
24.	Real Estate and Workplace Services Affiliate Charges	Randy Ware	Mr. Ware provides supporting testimony for AEP Texas affiliate expenses related to AEPSC Real Estate and Workplace Services. He supports the reasonableness and necessity of AEP Texas' affiliate costs for these services.
25.	Information Technology Organization and Affiliate Charges	Greg Filipkowski	Mr. Filipkowski discusses the AEP Information Technology (IT) organization and the services provided. He supports the reasonableness and necessity of AEP Texas' IT affiliate costs. He also supports IT capital additions and the IT related portions of AEP Texas' AMS reconciliation.
26.	Telecom and Affiliate Charges	David Standley	Mr. Standley discusses the AEP Telecom organization and the services provided. He supports the reasonableness of AEP Texas' Telecom affiliate costs. He also supports Telecom capital additions.
27.	Security and Affiliate Charges	Stan Partlow	Mr. Partlow discusses the AEP Security organization and the services provided. He supports the reasonableness of AEP Texas' Security affiliate costs.

AEP Texas Witnesses 2019 Texas Base Rate Case			
	Subject	Witness	Description of Testimony
28.	Load Research Schedule Sponsorship	Nora Williams	Ms. Williams sponsors various schedules related to load and demand.
29.	Energy Forecast and Weather Normalization	Chad Burnett	Mr. Burnett presents the weather normalization processes used in forecasting and supports several associated schedules.
30.	Cost of Service Study	John Aaron	Mr. Aaron presents and supports AEP Texas' class cost-of-service study. He also supports the pro forma adjustments made to the test year customer, revenue, and sales volume data.
31.	Rate Design and Tariff Riders	Jennifer Jackson	Ms. Jackson presents AEP Texas' retail class rate design, including the Company's proposal to combine Central and North Division rates.
32.	Tariff Issues/Rate Design	David Hawk	Mr. Hawk discusses the proposal to consolidate the current separate tariff manuals for AEP Texas' Central and North Divisions into a single tariff manual and also addresses proposed changes to company-specific discretionary service charges.

PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF

AEP TEXAS INC.

FOR AUTHORITY TO CHANGE RATES

DIRECT TESTIMONY OF

LEIGH ANNE STRAHLER

FOR

AEP TEXAS INC.

MAY 2019

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EXHIBITS

EXHIBIT

DESCRIPTION

EXHIBIT LAS-1

AEP Texas Regulatory & Finance

EXHIBIT LAS-2

Summary of Rate Case Expenses from Prior Dockets

EXHIBIT LAS-3

Rate Case Expense Practice and Procedures